ECONOMIC AND SOCIAL COMMISSION FOR WESTERN ASIA (ESCWA)

TOWARDS HARMONIZED INSTITUTIONAL FRAMEWORKS
IN THE ESCWA COUNTRIES

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CONTENT

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1. ABSTRACT

The mid-80s of the last century have been characterized by progressive steps towards reshaping and redefining the role of the State public sector, in particular the telecommunications, health, energy and transport sectors.

This paper contains two issues. The first part synthesizes the modern scheme of the sector management and the definition of the new role of the State. It discusses the basis for restructuring the transport sector institutional framework and the policy, regulatory and service provision levels. The restructuring is based on underlying principles of transport sector management and organization structure.

In the second part, it addresses harmonized institutional frameworks in the ESCWA countries and international experience in harmonizing institutional framework. It concludes with recommendations for an action plan towards harmonizing the framework in the ESCWA countries.

2. KEYWORDS

Institutional structure; Transport sector framework; Role of the State in the transport sector; Transport policy.

3. PAPER CONTENT

1. Definition of the role of the State in the transport sector

The mid-80s of the last century have been characterized by progressive steps towards reshaping and redefining the role of the State public sector and particularly the telecommunications, energy and transport sectors.

The transportation infrastructure and investment in railways and airlines were becoming very challenging to the State budget. This was primarily the case in the areas of railways, shipping fleets, ports and terminals, but also covered airlines, urban mass transit and highway construction and regional development.

During that time, the public-private partnership as viable alternative was gaining additional ground. This was not only restricted to large national transport projects, but was also forming for areas featuring a key State role in the operation, as in the urban transport, regional development and road maintenance.

With this development, and backed by visible inefficiency, the State in many countries has, as a pattern, started withdrawing from micromanagement and operation of many transport sector services. Overregulation and central management have been successfully replaced in the past decades by deregulation approach along with autonomous transport regulatory administrations and organizations. State-owned companies have been successively privatized regardless of profit or loss status. With this, the services have been increasingly outsourced to the private sector and the administrations took over of the role of the clients.

The primary target of restructuring and redefining the roles in the transport sector is to establish an enabling environment for efficient sector operation. An enabling environment provides the legal basis to impose the right mix of obligations and incentives. Within this arrangement, the private sector functions as a service provider and State agency to exercise regulatory and supervisory functions.

Supervisory institutions must have sufficient capabilities and independence to undertake basic planning, administer regulations, and guide the development of the industry.

The ultimate responsibility of creating an enabling environment rests within the central Government, represented in the transport sector by the ministry of transport.

The efficient management mechanism for the transport sector is based on modern management principles. To achieve effective sector management, they will have to cater for:

(a) Efficient operation of the national transport sector;

(b) Transparent, fair and effective regulation of the transport sector;

(c) Market-oriented provision of transport services;

(d) Enabling environment for sector development through private sector involvement (and foreign direct investments) through counteracting corrupt practices;

(e) Enabling substantial growth in sector revenues through higher productivity and re-channeling income from corrupt practices to the State budget.

2. Underlying principles for effective transport sector management

Individual countries have developed a range of transport sector organization structures to suit their particular political, social and economic conditions. While there is no optimal structure that enjoys universal support, organization structures should be developed following certain principles that ensure good governance, separation of functions, coherence, and sector manageability, to ensure effective sector management.

Concretely, these imply the realization of the following management organization principles:

2.1 Good governance

Governance implies structures and processes to determine the use of resources available for the public good. Good governance implies efficient, impartial and transparent decision-making practices in public agencies.

Transparency in decision-making and strict adherence to the laws and regulations are the basis for combating corrupt practices. Good governance must be the main concern in the public sector reform and auditing process.

2.2 Separation of functions

Good governance can only be seriously pursued by separating responsibilities in a hierarchical structure. The institutions setting policies and drafting laws should not be involved in their implementation. In the transport context, the ministerial level should delegate regulatory functions to a regulatory body that applies these regulations to enterprises providing transport services. The ministry retains an oversight responsibility and provides for a higher level for appeal by the public and businesses within the sector. Again, a regulatory body should not be involved in the service provision, due to likely conflict of interest. Moreover, safety auditors should be independent from the mode regulators and operators.

The regulatory body could be an independent governmental authority or agency. In some cases, it could also be a private enterprise with regulatory duties. However, it must be able to take day-to-day decisions autonomously within the set framework.

Good governance has to be built on the creation of quality organizations and is based on a good legal framework. The sector's development should be based on these structures rather than relying on mere,

though important, political will. The personal will of a strong leader or State power are factors that may not provide stability on the longer term.

2.3   Coherence

The transport sector requires coherent policy and organizational structures, consistent laws and regulations and good professional staff. Coherence is a precondition which is necessary to enable good administrators, regulators and operators to make good use of their potential and professional staff and their skills as they seek to manage transport services.

2.4   Manageability

With the separation of functions, manageability may become a concern. Manageability can be maintained despite the delegation of responsibilities in several ways; for example, through appointment and overruling power but also through policies and performance objectives.

Given the privatization of the transport sector, direct control of the service-providing enterprises is no longer an option. A combination of management via objectives and delegation is the only way forward.

2.5   Use of guiding principles

Looking at the patterns other countries have applied in reforming their transport sector, such as Finland, New Zealand, Lithuania, the United Kingdom and the United States, can be a good way for developing an adapted track and structure for other countries.

The common patterns show that there should be a minimum overlap of duties between organizations and that cost-effective methods should be used to carry out responsibilities. The transport sector is composed of three primary elements:

(a) Policy and legal elements: the minister and the ministry;
(b) Regulatory/executive element: modal transport administrations;
(c) Service-providing enterprises.

The following shows the relational interaction between the transport sector institutional elements.
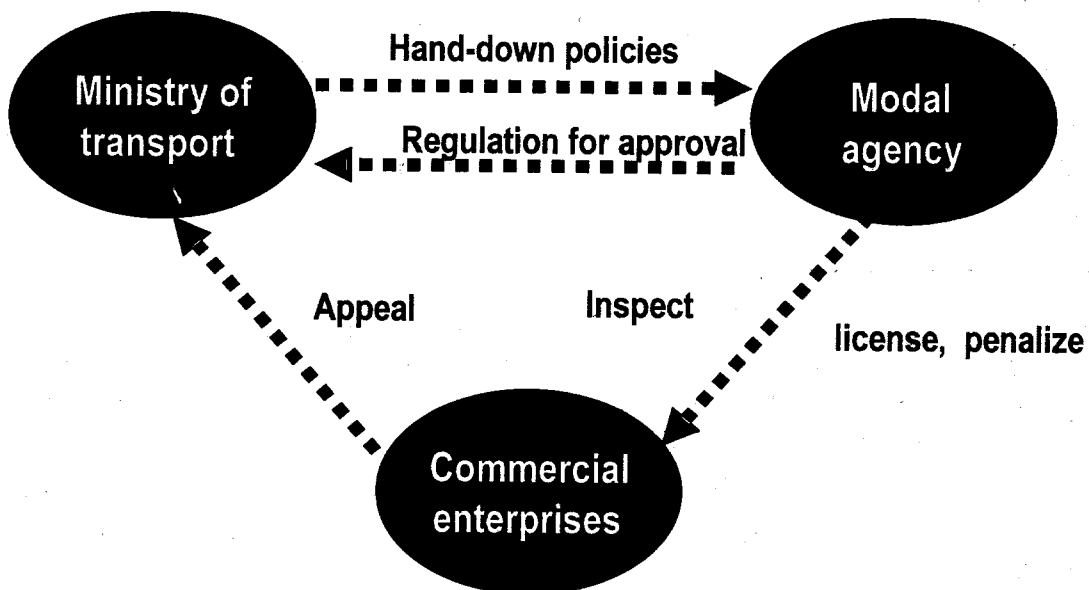
3. The structure of institutions in the transport sector management

3.1 The minister

The minister is still the chief official of the country with regards to transport. Notwithstanding, the minister will exercise administrative trusteeship over State administrations and political responsibility for the overall sector.

3.2 The ministry

The ministry of transport is ideally an efficient body that creates the enabling environment for balanced sector growth. Its best interest is to preserve the autonomy and commercial orientation of the modal transport administrations within the social and political environment context.

3.3 Regulatory bodies

The modal administration typically functions as regulatory body to ensure safe operations in the concerned mode within market-oriented fair competition according to the valid regulations.

3.4 Service providers

Mode-specific independent operational enterprises, mostly private sector where applicable, deliver safe services to the public based on market conditions, applying principles of fair competition.

4. Relationship of the different levels

The relationship between two levels is basically a client/supplier relationship.

The client hands over to the supplier a set of specifications and requirements to be delivered and provides the means (enabling environment) to the supplier to deliver this service. Specifications and means depend on the specific case and mode.

4.1 Policy/legal and regulatory

The minister and his transport ministry set overall sector policies and the legal framework for transport sector operations by enterprises and private companies. Control over these businesses is limited by the objectives requiring them to operate as independent businesses. Thus, supervision of enterprises and companies will be exercised consistent with the country's commercial law.

The minister will appoint the heads of the administrations, and review and approve business plans of the transport administrations. The power of appointment and removal for a just cause is sufficient to assure that the administration heads are responsive to the requirements of the sector.

4.2 Policy/legal and regulatory

The (regulatory) transport administrations apply the policies and regulations developed by the ministry to assure the public that the transport services are reliable and cost-effective. The minister manages transport Administration activities through his powers, by giving them objectives to be met and requiring them to prepare business plans.

The regulatory administrations must be independent in daily operation from the ministry to separate policy and regulatory exercising functions. The minister will have veto power over enforcement actions of the regulatory authorities through an appeals procedure.

4.3 Regulatory and operating

The regulating administrations enforce the laws and ensure compliance with the regulations governing service provision. This is done via inspection, licensing and permitting procedures with follow-up enforcement (penalties and fines) either directly or with the police.

4.4 Operating and policy/legal

Depending on the mode, the enterprises may have to report in a timely fashion progress in meeting service objectives and report shortcomings concerning safety and deviation from regulations. If they do not operate in conformance with the regulations, they may be penalized and, in the last resort, lose their license to operate. The operating enterprises have the appeal option to the minister.

Based on the legal requirements, State enterprises (if any) may have to prepare business plans to be approved by the transport ministry. Enterprises respond to new policies, plans, laws and regulations via service plans. In special cases, where public commitment and funds (as in public transportation) are requested, the minister will have to submit the required funds for Government approval.

5 Definition of responsibilities within institutional framework

5.1 Approach

A major problem in setting up a sound institutional framework is the proper distribution of responsibilities and accountability in the sector management among stakeholders. As a tool, the roles and responsibility matrix is frequently utilized.

Transport sector management is divided into an array of functions and subfunctions. These functions are grouped according to their characteristics into policy and administration, regulation, and implementation and operations. The elaboration of the subfunctions has to consider mode specifics (land, maritime, aviation, inland waterways, freight, passengers, public transport, etc.). They also have to consider multimodal operational aspects.

Following this step, the functions are attributed to stakeholders defining their roles in discharging the particular subfunctions.

The definition of roles must rely on a predefined scope for each role. Approaches like R.A.C.I. are advised and commonly used, describing the roles and responsibilities of the stakeholders. R.A.C.I. stands for the definition of roles as follows:

Responsible	Those responsible for the performance of the sub-function. There should be exactly one stakeholder with this assignment for each subfunction.
Assists	Those who assist completion of the subfunction.
Consulted	Those whose opinions are sought. Two-way communication.
Informed	Those who are kept up-to-date on progress. One-way communication.

5.2 Classification of functions

The transport sector is divided into primary functions for analysis purposes. These functions can be grouped according to their main characteristics into policy and administration, regulation, and implementation and operations. The primary functions are divided into subfunctions, to a level of details as required by the stakeholders.

The classification of the functions into "core", "support" and "commercial" gives an indication of the core services that need to remain as Government functions. The other functions could be selectively outsourced to providers in the private sector.

(a)   Policy and administration (core functions)

    (i) Policy;
    (ii) Legal;
    (iii) Public safety;
    (iv) Environmental;
    (v) Coordination and consultation;
    (vi) Plans/programmes/targets;
    (vii) Fiscal;
    (viii) Research;
    (ix) Statistics and information technology.

(b)   Regulation and licensing (core and support services)

    (i) Regulations;
    (ii) Licenses and permits;
    (iii) Research and statistics;
    (iv) Enforcement/monitoring.

(c)   Implementation and operation (commercial services)

    (i) Infrastructure;
    (ii) Operations;
    (iii) Maintenance.

5.3   Creating the responsibilities matrix

The subfunctions are mapped in a matrix structure against the stakeholders.

Stakeholders, at large, are those institutions that have a role in transport sector management. Stakeholders may vary based on national specifics, but, typically, are the ministry of transport, transport regulatory administrators, traffic authorities, other ministries, local authorities, private sector, among others.

The roles of stakeholders can be attributed to the functions based on the existing legislation to create the responsibility matrix. Overlapping responsibilities, those without responsible institutions as well as lack of function, delegation and separation are revealed as shortcomings. In many cases, these shortcomings hamper the sector's operation and growth, foster corrupt practices and complicate coordination mechanism among institutions.

In an interactive process with the stakeholders, the new distribution of responsibilities is based on consensus. For each subfunction to be discharged, there can only be one responsible institution (stakeholder) to allow accountability. There can be as many other institutions fulfilling the assistance, consulting and information roles. The nature of the supportive roles is described in detail in a separate analysis, creating the coordination mechanism process.

The new roles and interaction form the base for a sound institutional structure. With this, adjustments in the legal framework may be deemed necessary to enable the new roles and forms. The creation of the legal framework is a lengthy process, specifically in democratic systems.

In some cases, the sound distribution of functions may require spin-off of administrative parts and shift in personnel and capacities. In most cases, however, capacity-building measures are necessary to ensure the success of the new institutional framework.

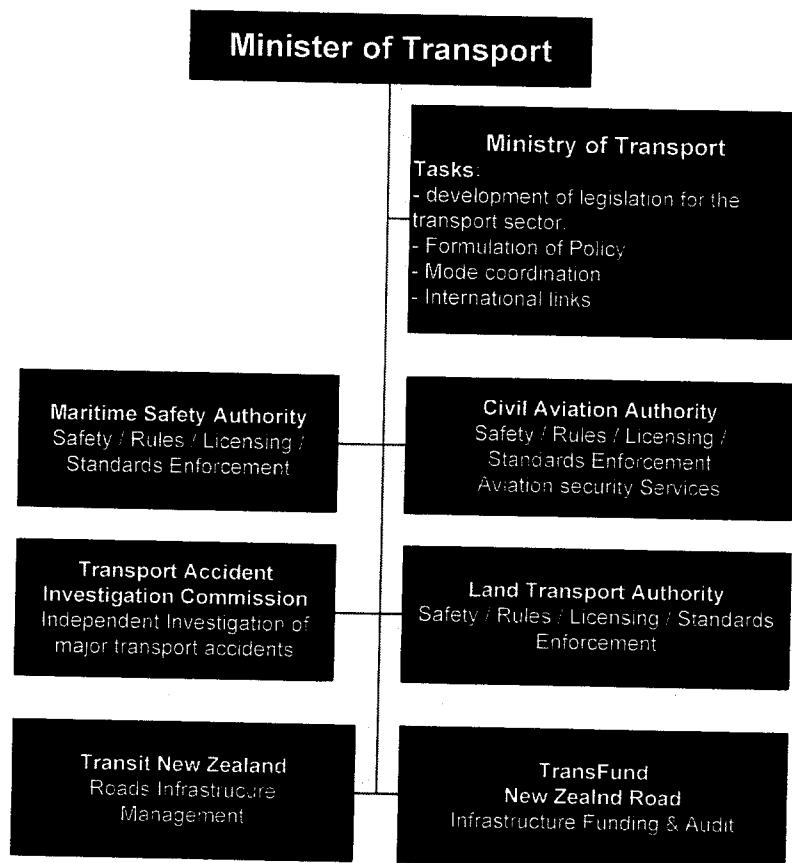## 6. Examples of successful restructuring of the transport sector

Examples from different countries that have successfully implemented the restructuring of the transport sector and patterns of international best practices for the restructuring of the transport sector management are discussed below.

6.1 New Zealand

The role of the Government in overseeing the transport sector has been focused on ensuring that the transport system contributes the maximum benefit to New Zealand at a minimum cost, consistent with sustainable development. The Minister of Transport controls policies but receives strategic policy advice from his ministry and regulatory agencies.

The Ministry of Transport's core functions are therefore largely policy-oriented.

As the agent of the Minister of Transport, the Ministry plays an important role in negotiating and monitoring contracts with the stand-alone crown bodies. These bodies are: Civil Aviation, Maritime Safety and Land Transport Safety Authorities, the Aviation Security Service, Transit New Zealand, Trans-fund New Zealand, and the Transport Accident Investigation Commission. The Ministry also manages the motor vehicle registry and revenue management business. The development of any legislation for the transport sector is the responsibility of the Ministry. The Ministry also formulates and implements policy relating to the development of New Zealand's international air transport links.

Minister of Transport

Ministry of Transport
Tasks:
- development of legislation for the transport sector.
- Formulation of Policy
- Mode coordination
- International links

Maritime Safety Authority
Safety / Rules / Licensing / Standards Enforcement

Civil Aviation Authority
Safety / Rules / Licensing / Standards Enforcement
Aviation security Services

Transport Accident Investigation Commission
Independent Investigation of major transport accidents

Land Transport Authority
Safety / Rules / Licensing / Standards Enforcement

Transit New Zealand
Roads Infrastructure Management

TransFund
New Zealnd Road Infrastructure Funding & Audit

The six transport crown entities were set up as part of a fundamental exercise to refocus the Government's role in transport. Their roles are set out in the legislation. These roles had previously been scattered across a number of Government departments and agencies, were highly diffuse and suffered from poor (or almost non-existent) accountability.

Each of the transport entities is controlled by a board of directors or authority appointed by and accountable to the minister of transport.

In addition to annually negotiated performance agreements with the transport entities, the expectations of the relationship between the Minister, the Ministry and each entity are set out in the 'Protocols and Guidelines', which are distributed to all board and authority members and entity senior management. Performance agreements are negotiated by the Minister, through the Ministry, prior to the commencement of each financial year.

The Minister also has a performance agreement with the New Zealand police (signed jointly with minister of police). The New Zealand police delivers road safety, which is funded through income from the National Road Fund.

The Minister of Transport has a direct agreement with the Land Transport Safety Authority for the management and administration of motor vehicle registration/revenue management. This contract is commercially based.

At the beginning of 2005, transport management was reformed by merging of the public transport and road safety authorities into a single entity under the Minister. The agencies have transferred their strategic policymaking functions to the Ministry while retaining their individual responsibilities for the management of road safety and the supervision of transport projects.

The Minister receives regular reports on entity performance under these agreements and, in the light of these reports, suggests directions or improvements to the chairs of the entities. In addition, regular audits and performance reviews of these entities are conducted.

6.2 Finland

There are seven Government departments and agencies, one State-owned enterprise and seven State-owned companies operating within the purview of the Ministry of Transport and Communications. The sector structure is illustrated in the figure below.
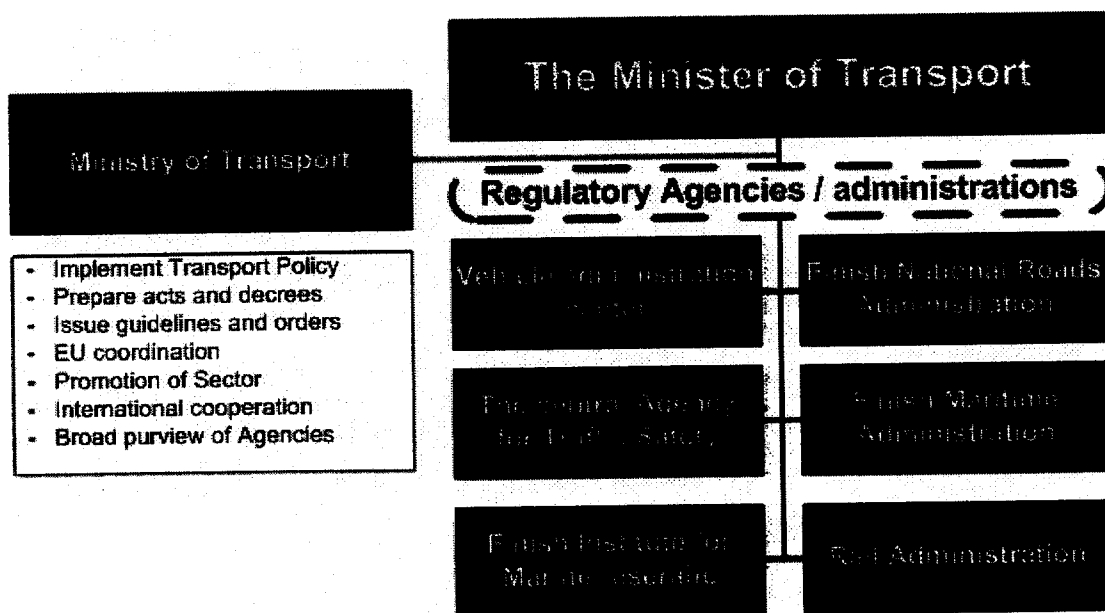
The Government departments and budget-bound agencies are independent organizations operating according to a business plan. They use part of their revenues to finance direct operational expenses. The task of the Ministry is to monitor and supervise their work. The means of monitoring include annual result goals and follow-up of their implementation and monitoring of the use of funds.

The Ministry of Transport and Communications is responsible as the trustee of State-owned joint stock companies and enterprises within the field of transport and communications. The Ministry monitors their overall performance requiring them to be profitable, productive and providers of good services. This ensures the growth in the value of the companies and the development of services.

The Ministry of Transport and Communications is responsible for sector expansion and privatization processes. It also approves the business plans of State-owned enterprises which are based partly on strategy goals set by the Cabinet of Ministers.

7. International institutional patterns

The patterns prevailing in the above examples are characterized by the following:

- The Government and the ministry in charge of transport have withdrawn from the micromanagement of the transport services;

- Central management has been replaced by individual autonomous organizations governed by performance agreements;

- Ministries and transport entities operate independently but are accountable to the minister.

- The ministry and its organizations focus on policy and service functions to improve efficiency and ensure good governance;

- The ministry retains legislative, policy and budgetary control. The ministry oversees functions concerning regulations, infrastructure, transport and telecommunication services and intermodal coordination. There is a level of administration (regulation) outside the ministry, which is delegated to legal mode-based entities.

- Each entity focuses on the implementation of laws, regulations and plans, and monitors the compliance of service delivery.

Other such countries as the United Kingdom and Lithuania have very similar structures as a result of reforms made during the past decade.

The above selected review of national transport organization structures indicates that there is a clear trend towards the use of authorities to manage individual modes and such functions as road safety and licensing. Authority boards are normally made up of professionals from related public sectors. The separation of policy and planning from regulation and operation is common, while there is no pattern regarding the separation of regulation from enforcement and licensing. Within the roads sector, the police has considerable powers of enforcement. There is also a clear trend towards maximizing the involvement of the private sector both for enforcement and operational activities.

8. Institutional framework in some ESCWA countries

The following elaboration sketches the institutional framework in some of the ESCWA countries. The information are largely based on Author's project experience some countries Based and on the Diagnostic Study, Country issues, of the Euro-Med Transport project, funded by the European Union.

8.1 Egypt

(a) Ministry of Transport

The Ministry of Transport has been reorganized by Presidential Decree No. 57/2002 and is organized in four main directorates:

- The Directorate-General for Transport Planning: This Directorate covers all sectors, carries out studies and draws up master plans for each sector;

- The Directorate-General for Railways (ENR): Railways are an important entity within the institutional set-up. Status and mission of the ENR are defined in Law No. 152/1980 (ENR Law);

- The General Authority for Roads, Bridges and Land Transport (GARBLT): It is responsible for maintenance of the road and motorway network, regulation of interurban road freight and passenger transport;

- The Directorate-General for Maritime Transport: It supervises the various public authorities in charge of port management, which, under the current reform, benefit from greater budgetary and management powers.

The role of the Ministry of Transport has been extensively modified since the creation of Holding Companies in 1991, whose objective is to lead to the privatization of public companies previously under the direct tutelage of the Ministry of Transport. Consequently, the central administration will have a lesser role.

(b) Authorities of the transport sector

- Authority for Transportation Projects;

- National Transport Research Institute;

- National Tunnel Authority;

- River Transport Authority: A regulator for river transport, with license to establish companies for setting up, operating and maintaining river ports.

None of these regulatory authorities or agencies are independent. All regulatory bodies fall under the structure of the Ministry of Transport.

(c) Government operational involvement

Almost all service provision functions have been transferred to State-owned holding companies and are set on the privatization track.

(d) Other authorities

- Ministry of Interior: It is responsible for the licensing of vehicles and drivers and responsible for enforcement of axle loads on roads;

- Ministry of Civil Aviation: The aviation sector in Egypt is the responsibility of a special ministry. Having the aviation sector outside the Ministry of Transport is practiced in very few such countries as Tonga; Bangladesh, with tourism; and India, in many cases in countries lacking sound institutional structure of the transport sector. The Ministry of Civil Aviation has undergone very progressive reforms, and restructuring. However, the State is still involved in many operational activities.

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8.2 Jordan

(a) Ministry of Transport

The central administration of the Ministry of Transport is relatively small in size and is composed of five departments:

- Department of Administrative and Financial Affairs;
- Department of Multimodal Transport;
- Department of External Relations;
- Department of New Technologies;
- Department of Road and Goods Transport.

The role of the Ministry is to ensure the following tasks:

- Keeping sector policies under review, in terms of such issues as industry structure, the role of Government agencies, privatization, regulatory framework, public-sector investment priorities, private-sector investment incentives and taxes;

- Setting objectives across all subsectors, communicating those objectives to the relevant agencies, monitoring performance and reviewing policies and objectives;

- Managing its relationship with agencies, or where there is no direct relationship, advising the Government on such forward-looking aspects as budgets, business plans, investment plans and tariff proposals, and retrospective reports and accounts;

- Promoting legislation relating to the sector;

- Heading all intergovernmental initiatives in the sector.

(b) Authorities of the transport sector

- Jordan Maritime Authority (JMA);
- Public Transport Regulatory Commission (PTRC);
- Department of Meteorology.

(c) Government operation involvement

- Aqaba Railway Corporation (ARC): a Government railway company; privatization plan ongoing;

- Royal Jordanian Airlines (RJ): privatization plan ongoing;

- Jordan Hijaz Railways Corporation;

- Joint Arab transport companies, such as Iraqi-Jordanian Land Transport Company, Jordanian-Syrian Land Transport Company, Syrian-Jordanian Shipping Company, and Arab Bridge Maritime Company.

(d) Other authorities

- Ministry of Public Works: responsible for the maintenance, renewal and construction of the road and motorway network;

- Ministry of Home Affairs: issuance of licenses for drivers and vehicles;

- Aqaba Port Corporation: currently chaired by the Aqaba Special Economic Zone Authority.

(e)   Current institutional reforms

The Ministry of Transport observed noticeable decline in the levels of efficiency and investment linked to the transport sector. The existence of multiple supervisory bodies with overlapping responsibility, together with insufficiency of resources, adversely affected its performance. Lack or obsolescence of relevant legislation were additional problems to contend with.

The Ministry of Transport fostered the restructuring of the sector by the redistribution of roles between the public and private sectors (drawing up policies, monitoring, investment and operation).

The Public Transport Regulatory Commission and the Jordan Maritime Authority were established and a new Road Freight Transport Law enacted. These are linked to the Ministry of Transport but are legal persons, enjoy full financial and administrative independence, and have their own board of directors.

8.3   Lebanon

(a)   Ministry of Public Works and Transport

The Ministry of Public Works and Transport covers the three modes and handles policymaking, regulation, licensing and permits. In addition, it directly manages the road networks. The Ministry is made up of three directorates:

- The Directorate-General for Land and Maritime Transport (DGLMT): responsible for setting, implementing and supervising all policies and regulations related to land and maritime transport;

- The Directorate-General for Roads and Buildings: responsible for the design, construction and maintenance of international, primary and secondary roads, in addition to all Government buildings;

- The Directorate-General for Urban Planning: responsible for setting and supervising all regulations related to zoning, land use, building code, among others.

(b)   Authorities of the transport sector

The Directorate-General for Civil Aviation (DGCA) has been recently converted into the Civil Aviation Authority (CAA), which is responsible for setting, implementing and supervising all policies and regulations related to air transport.

(c)   Government operational involvement

Land public transport is managed by the Railway and Public Transportation Authority (OCFTC), which is an independent body. The Ministry only performs an ex-post control over the activities of the OCFTC.

(d)   Current institutional reforms

Institutional reform efforts have been underway in the Ministry of Public Works and Transport to make the work of central Government administrations more transparent and effective. The DGLMT has done a great effort to implement the functional separation, retaining policymaking functions in the Ministry and creating two authorities, namely the Land Transport Authority and the Maritime Transport Authority. The implementation of this reform is pending, awaiting the establishment of a legal framework.

8.4   Syrian Arab Republic

(a)   Ministry of Transport

The responsibility of the Ministry of Transport responsibility is to maintain and develop the land, maritime and air transport systems, for passengers and freight.

Apart from administrative units, the main directorates in the Ministry are in charge of the following areas:

- Maintenance and vehicles;
- Road transport;
- Railways transport;
- Air transport;
- Maritime transport.

These directorates mainly have a supervisory and monitoring role over such public entities linked to them as the public establishments, public companies, international joint ventures for rail services and ports, airlines and shipping companies, and public transport companies listed below.

(b)   Authorities of the transport sector

Bodies connected to or supervised by the Ministry include the following:

- Directorate-General of Civil Aviation;
- Directorate-General of Ports.

(c)   Government operational involvement

- Syrian Arab Airlines;
- Syrian Railways;
- Hijazi Railroad Line;
- General Company for Railways Construction;
- Navigation and Maritime Transport Establishment;
- General Companies of the Port of Lattakia and the Port of Tartous;
- Navigation agencies;
- General companies for public transport in Damascus, Homs, Aleppo and Lattakia.

In addition, the following joint companies also fall under the control and supervision of the Ministry of Transport:

- Syrian-Jordanian Joint Company for Maritime Transport;
- Syrian-Jordanian Joint Company for Land Transport;
- Al Sham Company for Maritime Transport.

(d)   Current institutional reforms

The directorates within the Ministry of Transport have been turned into establishments which have their own budgets and are responsible for controlling all sectors, nominating the heads of public companies and organizations, and signing agreements and international conventions in direct relation with the prime minister.

The central Government now has a reinforced role for monitoring, coordination and drawing up global strategies.

8.5 Palestine

The Ministry of Transport was established in 1995 as one of the very early ministries of the Palestinian authority. It has grown in size considerably.

The only mode of transport in Palestine is the land transport. Civil aviation plays a minor role due to the occupation circumstances.

The Ministry is responsible, among others, for vehicle registration. The Ministry also assumes policy and regulatory functions. No administrations have been created. Only the metrological centre is linked to the Ministry.

8.6 Saudi Arabia

(a) Ministry of Transport

The Ministry of Transport in Saudi Arabia is a fairly large ministry responsible for road, rail and maritime transport modes. Civil aviation is largely the responsibility of the Ministry of Defense and Civil Aviation.

The Ministry of Transport has a wide range of policymaking, regulatory and operational responsibilities.

(b) Authorities of the transport sector

- Civil Aviation Authority: It also assumes the management and operation of airports;
- Saudi Ports Authority.

(c) Government operational involvement

- Companies operating the seaports;
- Saudi Public Transport Company (SAPTCO) for public transport;
- Saudi Railway Organization.

8.7 United Arab Emirates

(a) Ministry of Transport

Due to the federal nature of the United Arab Emirates, the individual emirates retain many functions in terms of regulation and policymaking in transport sector operations.

In an attempt to harmonize the institutional and legal framework, the Government of the United Arab Emirates has launched a National Transport Authority (NTA) which equals the set-up of the ministry of transport in other countries.

The NTA will perform the policymaking functions in the United Arab Emirates. It reports directly to the Council of Ministers.

The Ministry of Public Works has the client responsibility for road construction. Road construction is financed by the individual emirates.

(b)   Authorities of the transport sector

Again, the NTA, based on the current legislation and statutes, assumes the regulatory functions. It has two departments, one for marine affairs and land transport affairs. Land transport is subdivided into roads and traffic on the one hand and rail on the other hand.

The NTA also assumes the client role in road maintenance. The budget is provided by the individual emirates and work is outsourced.

Civil aviation has been entirely independent since 1996, when, under the authority of the former Ministry of Transport, the General Civil Aviation Authority was established. Each emirate with an airport has its own civil aviation authority.

(c)   Government operational involvement

In land transport, the individual emirates operate the overland bus and urban busses similar to how each emirate operates its individual railway.

The NTA is in charge of Pan-emirate and international maritime and overland transport. This includes the possibility of operational activities, but, so far, the NTA does not operate any bus, railway or maritime line. Further information on the different departments of the NTA can be found on its website (see: www.nta.gov.ae).

The legal framework for the NTA envisages an operator role for the authority. Obviously, this legal stipulation is made to enable the public-private partnership initiative to create national railway links.

9.   Institutional patterns in ESCWA countries

The analysis shows noteworthy findings in patterns of the institutional structure. In particular, they are the following:

-     All countries have phrases of reforms, in many cases supported by such international partners as the European Union and World Bank. Degree and pace of the reforms significantly vary from one country to another;

-     Reform forces are geared towards redefining the role of the State, opening operation and service provision to the private sector;

-     In some countries, the State still retains the role of service provider. This usually results in a conflict of interest the State being the policymaker, regulator and service provider all in one. It infringes the underlying principles of transparency and separation of functions;

-     There is a lack in the separation of functions between policy level and regulatory levels. Independent regulatory bodies are expected;

-     The institutional set-up of the sector is incompatible among ESCWA countries, which creates an additional hurdle on the path towards harmonization of network development.

10.   International experience in the harmonization of transport sector institutions

One of the leading examples of harmonization efforts was achieved by the European Commission. The European Union has passed different challenges in establishing a harmonized transport sector operation framework in its member States and neighbouring countries.

10.1 Harmonizing base Europe

In the eighties, it was a challenge to harmonize the framework of legislation (paper work, driver's licenses, customs procedures) as well as the technical specifications to ensure compatible infrastructure, vehicles, border crossing and operational requirements. This was successfully achieved. Europe without borders, with free movement of goods and people (be it European citizens or foreigners), has European norms and specifications for almost all areas of the transport systems. All European countries have analogous institutional set-ups, allowing enough room, however, for particular national needs.

10.2 Eastern European challenge

The European Union faced a new challenge with eastern European countries with different political and transport sector management practices. The challenge could be deal with successfully.

The basic issue in regulating road transport in eastern European countries was the adjustment to the systems in force in the European Union.

From the mid-1990s onwards, the challenge was to upgrade post-socialist economies, institutional structure, human resources and Government regulations towards a modern, Europe-compatible system. This was not only directed towards accession countries, but also neighbouring areas to the east and west.

Further obstacles were, across all transport modes, the need to regulate access to the market and to the carrier profession.

A new accession country, if intending to become a member of the European Union, needs to adopt a set of rules, regulations and procedures, based on which the European Union functions.

For this, the European Union has set up a large-scale programme, PHARE, to assist accession countries in adjusting their sectors, legislations, institutional set-up, human resources, industries and environment to meet European standards and in achieving the transition of their economy from post-socialist to modern. Furthermore, the Trans-European Networks initiative was extended to incorporate the transport networks of neighbouring regions.

Again, the European Union has been successful with the implementation of a support programme to harmonize the institutional framework for all new members accessing the European Union in the past decade. Similar to other sectors, the technical assistance programme in the transport sector covered:

- Support for the adaptation of legal frameworks;

- Transformation of institutional set-up to fulfil the requirements of separation of functions and establishing a regulatory level;

- Twinning programmes to strengthen the created regulatory institutions and improve human resources and skills, for example, the establishing of a regulatory body for the freight transport in Poland. A twinning project was launched between the German Bundesamt für Güterverkehr (federal bureau for freight transport) and the Polish Inspekcja Transportu Drogowego ITD (road transport inspection).

10.3 European Neighbourhood Policy

The current challenge is to adapt the neighbouring countries in the southern and eastern Mediterranean, Ukraine and Caucasus and particularly Turkey to the trans-European network.

Again, similar measures are being adopted, in particular:

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- Technical assistance to the institutional set-up and establishment of regulatory institutions;

- Budgetary support for the set-up and establishment of regulatory institutions;

- Twinning programme with European regulators and training institutes. Successful measures are being implemented in Lebanon, Jordan and Egypt.

11. Towards a harmonized institutional framework

11.1 Need for reform and harmonization

There is no other option than reform. In fact, most ESCWA countries have acknowledged the need for restructuring the transport sector and are in different stages of the implementation process.

As a big change from the past, adapting the institutional framework while harmonizing it among neighbouring countries is likely to unfold further potentials for growth in the sector, particularly through:

- Efficient sector management and better value for money spent;

- Creation of an enabling environment for sector growth;

- Improved services for the public;

- Improved cross-border trading environment;

- Attracting public-private partnerships for transport sector investments. Private sector involvement will improve services, create jobs, spur economic growth, and enlarge the revenue base.

When implementing reforms, international best practices should be followed in order to establish transparent and effective institution which, as additional advantage, should have analogue structures across neighbouring countries.

It should be stated at this point that harmonization does not necessarily mean that institutions have to be identical in each country, but that institutional structure should be similar and the functional distribution comparable. The foundation for harmonization is the responsibility matrix.

11.2 The road ahead

The process of changing from the current structure to a modern one can be a fast or a slow one, depending on many factors. It starts with several steps at the macrolevel and consequently, moves on to the regional level, as listed below:

(a) Document the existing responsibility matrix;
(b) Identify deficiencies, shortcomings, overlaps, gaps and incompatibility;
(c) Develop a new basic responsibility matrix, built on successful practices;
(d) Build national consensus, show gains, and compare;
(e) Adapt legal framework;
(f) Establish new institutions or transform existing ones.

The restructuring process will involve the staff involved in the current structure. A fundamental issue that cannot be addressed in this very context, however, is the question of whether re-organization can proceed without improving employment conditions (specifically the pay scale) for the staff remaining within the regulatory bodies.

This is a national issue, as its severity certainly changes from one country to the other, and needs to be profoundly discussed in the national decision-making process. It is however a prerequisite to counteract corrupt behavior once with the reform is initiated.

Reforms demand a series of organizational decisions in which the restructuring principles must be gradually but firmly established. The underlying methodology implies that:

- At each state of the restructuring process, the organizational decisions made must take into account the level of conceptual and professional readiness of policymakers and Government staff involved in the reform process;

- Special attention is given to the social consequences of political decisions, which implies that organizational decisions should cause minimal social pain for the staff and organizations affected.

Assuming the above problems can be solved, further steps proposed at the implementation microlevel (national level) of the reorganization process are:

(a) Approve reorganization structure, including the modal regulatory administrations for aviation, maritime, and land transport and other such matters as public transport and safety;

(b) Establish a taskforce of national stakeholders for restructuring;

(c) Obtain buy-ins and prepare and publish mission statements, strategic directions, and interim policies for the transport sector;

(d) Proactively disseminate information to the public on the reforms and their successes;

(e) Secure interim budgets and funding sources for self-funding agencies;

(f) Test staff for current and new positions;

(g) Initiate the staff recruitment process for the ministry and the modal administration;

(h) Issue an operational manual and decentralize decision-making;

(i) Prepare and approve business plans (enterprises and administrations).

11.3 Why reforms fail or get vulnerable

Reforms fail for many possible reasons. Some reasons are highlighted below:

- *Political environment*: A conducive political environment is a prerequisite to successful restructuring. Appropriate policies, guidelines and legislation need to be developed and encouraged to enable and support the restructuring process;

- *Greatest enemy of reforms is inertia*: While reform is a top-down process, key stakeholders are frequently reluctant to participate. A win-win approach has to be created considering the concerns of all stakeholders;

- *Installing the reforms as piecemeal*: Institutional set-up requires a chain of processes (political, legal, regulations, resources). Tackling one link in the chain, even if effective, will do little to shorten clearance times without attending to the other links;

- *Weakness of local authorities*: This prohibits in-depth implementation of the institutional framework and usually increases corrupt practices in the enforcement implementation;

- *Resistance to turn from mistakes to lessons*: Both companies and the regulatory will take time to adapt to the new system. The key is to keep learning from previous mistakes and improve the system.

11.4 Management of change (short to long term)

To fully respond to the responsibilities defined by the new responsibility matrix, the envisaged regulatory system will have to grow. Attention needs to be given to the management of the implementation process. It is important to apply certain tactics in the design of the change management process. Those are:

- *Focus on effective institutions*: An effective institution is one that is capable of pursuing and achieving its assigned objectives, and capable of managing a transition to the new or revised structure. Institutions that are not effective tend to "muddle through";

- *The reform cell strategy*: This means to implement short-term, less costly, quick-win reforms immediately while preparing the ground for the medium- to long-term reforms, perhaps more complex and costly. This will enable quick wins and support the foundation of restructuring. Costlier long-term reform follows;

- *Dynamic organization structure*: Regulatory organization will need to be a flexible and dynamic organization that is capable of responding to change and that can gradually expand. Staff in key positions should be selected with this in mind;

- *Consider the stakeholders*: Stakeholders are those who may get affected by the restructuring negatively or positively. A proper stakeholders analysis must be carried out and their views and demands must be respected in the restructuring process, especially in the preparation phase;

- *Alleviating a shortage of professional skills*: This means to counteract the shortage of professional skills by applying two strategies, namely to:

    - Increase the supply of skills by seeking international support and best practices. This is what the accession countries did while getting ready for the European Union membership;

    - Implement a sound pay-scale to retain qualified staff.

12. Action planning

A preliminary set of broader base actions will be created to form a framework within which to move ahead towards harmonized institutional frameworks in the ESCWA countries.

The action plan pursues the approach of establishing a round-table task force by member countries, facilitated by ESCWA. The operations of the task force will start, as phase one, with the review and development of the institutional framework and its responsibility matrix. The task force members will discuss national adjustments and benefit from exchange of information. The second phase will be to obtain consensus at national level.

In the following phase, each country will recommend how to adapt its final institutional structure in order to satisfy the common patterns of the sector. ESCWA may provide assistance in establishing the reform steps to individual countries upon their request.

Task		Action
1.	Establish task force	— ESCWA obtains political support and consensus for harmonization; — Establish round-table task force with a representative from each national ministry; — ESCWA shall functions as a catalyst and facilitator.
2.	Existing responsibility matrix	— Seek technical support; — Review the existing institutional structure and function responsibility; — Identify current reforms; — Sign off by delegates.
3.	Identify gaps	— Identify deficiencies, shortcomings, overlaps and gaps; — Identify disharmony; — Identify current reforms; — Sign off by delegates.
4.	New matrix	— Appreciate successful practices; — Develop national responsibility matrix; — Ensure regional compatibility; — Sign off by delegates.
5.	Consensus-building (national level)	— Identify legal obstacles and reform requirements; — National consensus-building, show gains, show comparisons.
6.	Legal framework national level)	— Adapt legal framework to match restructure.
7.	Implement (national level)	— Establish new institutions or transform existing institutions.

13. Recommendation

At the end of the expert group meeting, a set of recommendation was formulated and agreed upon by the delegated experts. The recommendations are separated into those to be taken by member countries and those to be taken by the ESCWA as facilitator. The following recommendations are listed in the final draft report of the expert group meeting, towards harmonization of the institutional structures in the ESCWA countries:

- It was noted that some ESCWA countries are undertaking a number of studies, implementation procedures and institutional and legal reforms. It is recommended to consider the successful practices of national experience towards the harmonization of the institutional structures in the ESCWA countries;

- It is recommended to establish a work group of representatives from member countries. ESCWA will act as a coordinator for the group advising the member States in the harmonization process of the legal and institutional framework. ESCWA shall prepare a proposal for the scope, tasks and time frame for the work group and present it to the Committee on Transport for approval;

- The work group shall focus on the road and rail subsectors as a first step. In legal terms, it will focus on the coordination mechanism among institutions within the specific country;

- Concerning the harmonization of institutional set-up, it is recommended to:

  (a) Tasks of the work group:

    (i) Identify the stakeholders in each country and the current coordination mechanism;

    (ii) Identify the successful experiences and implementation difficulties in cooperation with the ESCWA;

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(iii) Develop the future responsibilities matrix in every country, in line with the respective transport sector reform process;

(iv) Reach a common understanding on a set of actions for the development of institutional improvements within the transport sector and other relevant sectors, and on modes of coordination.

(b) Tasks of ESCWA:

(i) Prepare and distribute a questionnaire to the work group in the member countries to obtain the information necessary to identify institutions, structure, their roles and responsibilities, on-going reforms in the transport sector and other institutions relevant for the transport sector;

(ii) Conduct a study to analyse the institutional frameworks, the responsibility matrix in the transport sector and to identify responsibility gaps and duplication for each country;

(iii) Discuss the outcome of the study with the member countries and prepare recommendations for development;

(iv) Hold expert group meetings for multilateral discussions and exchange of experience for the future shape of the responsibility matrix and the institutional set-up for each country;

(v) Support the work group in the planning of action towards harmonization of the institutional structure in the member States.

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