

Project Name Djibouti - International Road Corridor (@)...  
Rehabilitation Credit

Region Middle East and North Africa Region

Sector Highways; Other Transportation

Supplemental Project ID P069930

Borrower(s) GOVERNMENT

Implementing Agency  
MINISTRY OF EQUIPMENT AND TRANSPORT  
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Environment Category B

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#### 1. Country and Sector Background

Following the deterioration of relations between Ethiopia and Eritrea in 1998, Djibouti has served as the primary transit port for landlocked Ethiopia. The port of Assab, on the Eritrean coast, formerly played this role, first as part of Ethiopia, and then under an agreement between Ethiopia and Eritrea following Eritrean independence in 1991. The road corridor between Addis Ababa and Assab, which passes some 20 km from the Djibouti border, was upgraded and improved for that purpose. With the sudden shift of Ethiopian traffic to Djibouti port in 1998, the 20-year old road connection between Djibouti port and the Addis-Assab road (via Dikhil and Galafi) received a very high level of traffic of heavy vehicles (roughly 700 trucks per day) it was not in a condition to carry. While the Ethiopian Road Authority upgraded the 20-km spur road up to the Djibouti border at the town of Galafi, the 221-km highway between Djibouti port and Galafi deteriorated steadily as a result of heavy traffic and inadequate maintenance. The European Union agreed in principle to finance a major upgrading project for the Djibouti-Addis transport corridor, but it was clear that this project would not materialize for a number of years. In 2000, a rapid emergency solution had to be found in order to assure that Ethiopia's maritime trade would not be severely disrupted. A particular threat existed (and continues to exist) for the massive shipments of emergency food aid to millions of starving Ethiopians for who the Djibouti-Galafi road is virtually their lifeline. In response, and based on a request from the Government of Djibouti, IDA prepared the ongoing International Road Corridor Rehabilitation Project as an emergency operation. In a broader context, the port

of Djibouti is by far the country's most important economic activity, and in the medium and long term, the port's ability to compete with other ports depends on a good road connection with its hinterland, including Ethiopia.

Country Assistance Strategy. The Bank's first CAS for Djibouti was approved in December 2000 and covers FY 2001-2003. It was formulated in the dual context of enormous economic difficulties and deepening poverty, and a new commitment by the Government to address them. Djibouti's main challenge is reversing the trend of declining per capita incomes and improving the country's low social indicators -- school enrolment, maternal and infant mortality, and morbidity. The main constraints facing Djibouti are poor physical and human resource base, in addition to the constraints and vulnerabilities common to most small states-- vulnerability to external developments, limited scope for diversification, and limited scope for competition and economies of scale. The CAS recognizes that Djibouti's most important asset is its port and strategic location. It states that the four-fold increase in port traffic since mid-1998, derived from the conflict between Ethiopia and Eritrea, has opened new, as yet not fully exploited, opportunities for investment and growth. Djibouti's open economic policies with liberal trade and exchange system, which is free of capital or exchange restrictions, and relative stability should help in that effort. The CAS focused on two areas. First, direct interventions to reduce poverty, through (i) reversing the low educational enrolment rates; (ii) addressing health needs, particularly, the epidemic incidence of HIV/AIDS, and tuberculosis; and (iii) preparing targeted assistance programs to minimize the impact of adjustment. Second, the CAS proposed measures to provide growth and employment generation, supported through structural reforms to restore competitiveness and private investments, and to develop port infrastructure services for participation in the increased regional transit.

## 2. Objectives of the project

The ongoing International Road Corridor Rehabilitation Project was approved on June 22, 2000 and became effective in December 2000. The objective of the Project is to secure in the medium-term, an acceptable level of service on the Djibouti-Galafi Road, which constitutes Djibouti port's transit corridor to Ethiopia, during the period when a long-term transport corridor improvement scheme is being developed and implemented by the Ethiopian and Djibouti governments, with assistance from the European Union. The IDA credit of US\$ 15.0 million equivalent mainly finances physical road works, although institutional strengthening activities are also included. The original intention was to carry out limited and low-cost emergency works, simply to make the road "survive" until the EU-financed corridor project is implemented. Current closing date is December 31, 2004.

The objectives of the supplemental operation are the same as those of the ongoing project. The proposed supplemental credit will finance exclusively a cost overrun for physical works on the Djibouti - Galafi road. Other parts of the project will not be affected in any way. The reason for the cost overrun is closely related to changes in the scope and timing of the proposed EU-financed project to upgrade the Addis - Djibouti corridor. Current closing date will not be affected by the supplemental credit.

## 3. Description

The ongoing project components can be separated into two groups depending on the implementation phase: (1) urgent, quick rehabilitation and repairs of the road between the Arta turnoff and Galafi, on the Ethiopian border (first year); and (2) subsequent maintenance of the road, construction of axle load control stations (second, third, and fourth year), and technical assistance (TA) to support, institutional development in various aspects of road maintenance, the transport sector and port/trade related economic

development. Phase I would have the following main sub-components: (a) a low cost temporary improvement of the National Road #1, between Dikhil and Galafi (100 km); (b) repairs of National Road #1, between the turnoff to Arta and Dikhil (88 km); and (c) procurement of spare parts to make operational the usable parts of the Road Department's plant pool. Phase II would have the following components: (a) routine maintenance of Arta to Dikhil and Dikhil to Galafi sections of National Road #1 for a period of 3 years, after the improvement and repair works have been completed; and (b) construction of axle load control stations and procurement of related equipment. The TA components include services to support the establishment of a Project Implementing Unit (PIU), provide support for institutional changes in the sector, facilitate the development of trade related services in Djibouti, undertake an HIV/AIDS outreach program and road safety study, and assist the Government in undertaking the project within a very short time frame. If practical and with the understanding of the EC Delegation and the Government, the project would also implement agreed policy and institutional recommendations of the EU financed study.

Project implementation is progressing well. Physical works are being carried out satisfactorily by contractors. Tendering of non-physical activities, such as the preparation of a transport sector strategy, are completed and activities are either underway or about to start. The project implementation unit is working satisfactorily.

Changes in scope of works. When the ongoing IDA-financed International Road Corridor Rehabilitation Project was prepared, it seemed clear that the future EU-financed project would eventually upgrade the same Djibouti - Galafi road, and that in the meantime, the IDA-financed project would only carry out (i) limited rehabilitation works on the 100-km section between Dikhil and Galafi, and (ii) maintenance and minor repair works on the Arta - Dikhil section of the road. However, the feasibility study for the EU project has now resulted in a decision by the Government of Ethiopia and the EU to upgrade the so-called "southern corridor", which in Djibouti goes through Ali Sabieh and then southward into Ethiopia. Much of the present main corridor road will hence become a secondary road corridor, which will nevertheless be an important link between the Port of Djibouti and the northern parts of Ethiopia (where much of the food aid goes). For the Dikhil - Galafi road section, there will thus not be a follow-on project, and the original decision to carry out only a limited rehabilitation with a short lifespan had to be replaced by a more thorough rehabilitation. The additional cost for the Dikhil - Galafi road section will thus be US\$ 3.0 million equivalent (including construction supervision). For the Arta - Dikhil section, the 3-year delay of the EU-financed project (to start in 2005) will make it necessary to carry out more extensive maintenance and emergency repair works than originally foreseen, and the cost per km will be more than originally expected, which also give an additional cost of US\$ 3.0 million. The total additional financing requirement is thus US\$ 6.0 million, which will be covered through the supplemental credit.

The proposed Supplemental Credit will fund (i) the completion of ongoing road rehabilitation works on the Dikhil-Galafi road section, (ii) emergency repairs and maintenance on the Arta - Dikhil road section, and (iii) supervision of the above works by engineering consultants.

#### 4. Project Financing

The total cost of the ongoing project is US\$ 18 million equivalent of which an IDA credit of US\$ 15 million equivalent. The Government contribution is US\$ 2.35 million equivalent, and US\$ 0.65 million equivalent from other sources.

The additional project cost, to be covered through the supplemental credit, is estimated at US\$ 6.05 million equivalent of which an IDA Supplemental Credit of US\$ 6.0 million equivalent is proposed. The Government contribution is estimated at US\$ 50,000

equivalent. It is to be noted that the Government's contribution to the ongoing International Road Corridor Rehabilitation Project is relatively high with US\$ 2.35 million.

## 5. Implementation

The ongoing project is being implemented by a Project Implementing Unit (PIU) established within the Ministry of Transport. This unit was delegated full authority by the Government to make efficient managerial decisions and to authorize all payments under the Project. The PIU signs all civil works contracts, goods contracts and technical assistance contracts, and operates the Financial Management System and the Special Account for the project. The Project Director, in charge of the PIU, has sufficient rank and authority to obtain quick decisions from the country's top decision makers and has the capacity to execute decisions rapidly. A consulting firm is assisting the PIU and is responsible for all construction management. This Construction Manager, recruited internationally, is based in Dikhil, at the Roads Department's workshop and road camp. The Construction Manager oversees and coordinates the work of the various subcontractors, as well as a Force Account unit which has been assigned to the Construction Manager for the life of the construction period. The Construction Manager has the direct responsibility for organizing and directing the work of this Force Account unit. The various construction contractors are coordinated and monitored by the Construction Manager, but signs contracts directly with the Project Implementation Unit. Control of quality of works undertaken by the Force Account Unit and local sub-contractors is the responsibility of an independent Resident Supervision Engineer, recruited internationally.

The supplemental credit does not require additional implementation capacity beyond what is already in place, and a modification of the Project Implementation Plan is not necessary, except for an extension of the period for the execution of road works. The Supplemental Credit will be subject to the same monitoring and reporting requirements of the ongoing project.

## 6. Environmental and Social Aspects

As part of the preparation of the original project, an Environmental and Social Assessment was conducted and concluded that the rehabilitation of the International road Corridor is not expected to generate any significant environmental and social problems since it represents the rehabilitation of an existing road only, with no changes in road width or alignment. Nevertheless, an Environmental Management Plan (EMP) has been satisfactorily prepared for the project in coordination with the Ministry of Habitat, Urban Development, Environment and Territorial Planning to mitigate potential construction and operation period impacts and to address road safety issues. The last IDA supervision mission included an environmental expert who concluded that the EMP is being implemented satisfactorily, and that significant social or environmental problems do not exist. Provisions have been made in the project design and budget to continue to support the follow-up on the EMP.

## 7. Sustainability

The Bank is presently supporting the Government to develop a transport sector strategy with special emphasis on sustainable arrangements for future maintenance of the road network in general, and in particular of the Djibouti portion of the International Road Corridor between Addis and Djibouti. It seems likely that a maintenance concession will be awarded to a private concessionaire who would manage and maintain the road and collect road user fees to finance his activities. Given the relatively high traffic volumes on

that road, this solution seems feasible. The concessioning process will be supported by the ongoing project.

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