



The World Bank

Ethiopia- Expressway Development Support Project (P148850)

REPORT NO.: RES57827

DOCUMENT OF THE WORLD BANK

RESTRUCTURING PAPER

ON A

PROPOSED PROJECT RESTRUCTURING

OF

ETHIOPIA- EXPRESSWAY DEVELOPMENT SUPPORT PROJECT

APPROVED ON MAY 19, 2015

TO

FEDERAL MINISTRY OF FINANCE

TRANSPORT

EASTERN AND SOUTHERN AFRICA

Regional Vice President:	Victoria Kwakwa
Country Director:	Ousmane Dione
Regional Director:	Wendy E. Hughes
Practice Manager/Manager:	Karla Gonzalez Carvajal
Task Team Leader(s):	Bezawit Tesfaye Fantta



I. BASIC DATA

Product Information

Project ID P148850	Financing Instrument Investment Project Financing
Original EA Category Full Assessment (A)	Current EA Category Full Assessment (A)
Approval Date 19-May-2015	Current Closing Date 31-Dec-2023

Organizations

Borrower Federal Ministry of Finance	Responsible Agency Ethiopian Roads Authority, Ministry of Transport and Logistics
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Project Development Objective (PDO)

Original PDO

The objective of the Project is to enhance efficiency and safety in the movement of goods and people along the Zeway-Arsi Negele section of the Modjo-Hawassa development corridor, whilst strengthening the Recipient’s institutional capacity to develop and manage high capacity highways and expressways.

Summary Status of Financing (US\$, Millions)

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-56250	19-May-2015	18-Jun-2015	29-Sep-2015	31-Dec-2023	274.41	153.40	105.99

Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No



II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

A. Project Status

1. The Project was approved on May 19, 2015, in the amount of US\$370 million IDA equivalent (Credit No. 5625-ET) and became effective on September 29, 2015. The World Bank finances Lot 3, Batu/Zeway-Arsi Negele (57.1km) of the Modjo Hawassa Expressway. The commitment as of November 2, 2023, is XDR 192,347,698.6, while disbursement stands at 59.13 percent (US\$152.4 million disbursed equivalent in XDR of 112,052,775.33). The project is picking up pace and demonstrating remarkable progress in the last one year. One-third of total disbursement was achieved over the last one year. The Project Development Objective (PDO) and Implementation Progress (IP) are rated moderately satisfactory.
2. The Project is part of the Addis Ababa – Modjo – Moyale – Lamu – Mombasa Trans African International Highway. It is expected to facilitate regional trade, regional integration, and tourism. It supports road safety and Intelligent Transport Systems (ITS) development including the development of tolling systems. The Project helped build capacity of Ethiopian Roads Administration (ERA), the main road sector player, to modernize procurement and contract management systems, Ministry of Transport and Logistics (MoTL), the transport regulator and policy maker, on road safety and digitalization of road accident data, and the Ethiopian Toll Roads Enterprise (ETRE) that manages toll roads to strengthen the functional units for toll roads management. The status of the Project components are as follows.
3. Component 1 – Construction of High-Capacity Highway: Component 1 of the project consists of four sub-components. Sub-component 1 (a) involves the construction of the Batu (Zeway)-Arsi Negele section of the new Modjo-Hawassa Highway. The expressway is 202 km long and is divided into 4 lots, with other development partners co-financing three of the lots. The World Bank is financing Lot 3, which is the Batu/Zeway-Arsi Negele section of the expressway, covering a distance of 57.1 km. The progress of the Civil works is 66 percent as of October 31, 2023. The World Bank is also financing the design and construction of Toll Plaza and Toll Management Centre Buildings for the Meki-Batu/Zeway and Batu/Zeway-Arsi Negele interchanges under Lot 2 and Lot 3. Intelligent Transport Systems (ITS) installation is also being carried out for Lot 1 and Lot 2. Sub-component 1 (b) involves the monitoring and supervision of the civil works that will remain in place until the civil works are completed. Sub-component 1 (c) focuses on supporting road safety improvement works at potential accident sites piloting the implementation of corridor-based road safety actions implemented satisfactorily. Sub-component 1 (d) involves the installation of ITS toll facilities, administrative buildings, and management centers. Phase 1 covers Lots 1 and 2, and the contract for this phase has been signed. The installation is expected to be completed by April 2024. Phase 2 covers Lots 3 and 4, and the installation for this phase will extend until June 30, 2025. The cost and time for the installation of ITS in Lot 3 will be covered under this restructuring. The Government of Ethiopia will finance the installation of intelligent transport systems for Lot 4.
4. Component 2 of the project focuses on institutional development and regulatory framework. The main objective is to strengthen the recipient's capacity in developing expressways and high-capacity highways. This is achieved through the development of a national and subnational Intelligent Transport Systems (ITS) conceptual framework, as well as digital roads management. The project provides advisory services, training, and technical equipment for central expressway management. The improvements in toll management and overall efficiency of toll roads have contributed to the operations of toll roads. The recently approved Meisso-Dire Dawa expressway, which is part of the Horn of Africa Regional Corridor Project financed by the World Bank, will also benefit from the enhanced toll management and operation system. As part of the second restructuring, an Electronic Toll Collection (ETC) system was introduced for



the Addis Ababa-Adama expressway. This section of the expressway leads to Modjo and Hawassa, as well as the Djibouti Corridor. The procurement process for the supplier of the ETC system has been completed, and the installation and system integration are currently in progress.

5. Component 3 of the project focuses on road safety and institutional development support to the transport sector. The main objective is to support the implementation of the recipient's road safety systems. This component includes strengthening the capacity of the relevant road safety agency and developing capacity in policy making, planning, and monitoring functions of the MoTL. As part of this, a transport sector policy was developed and adopted. Support was also provided to the railway reform agenda, the Ministry's efforts to incentivize foreign direct investments in the road sector, and road safety policy and reforms. This included the establishment of a Road Safety and Insurance Fund Service. Under this component, road safety assessments were conducted on 2000 km of selected trunk roads, and the results were sent to the Ethiopian Roads Authority (ERA) for priority implementation. Safety features enhancement was implemented on more than 270 km of targeted roads. The funding also supported the procurement of enforcement equipment and ambulances for post-impact response. Training was provided to 324 safety professionals to strengthen the capacity of enforcement officials.

6. Safeguards: The proposed changes in this restructuring will not have an impact on the Environment and Social risk ratings or the overall safeguards ratings. The ERA has shown significant progress in addressing social safeguards actions, leading to a moderately satisfactory rating for social performance. Similarly, ERA's achievement in implementing environmental safeguards is commendable, resulting in a moderately satisfactory rating for environmental performance.

7. Financial Management (FM): The financial management arrangement of the project ensures that the World Bank funds are used appropriately. This restructuring does not impact the existing financial management arrangements, which will continue to be in place. The project has a substantial financial management risk rating, with a moderately satisfactory rating. The MoTL and ERA have submitted their Interim Financial Reports (IFRs) on time, and both audit reports were unqualified. However, the management letter of MoTL identified some findings that need to be addressed. Both entities have also made progress in implementing agreed actions, but there are still challenges. Mitigation action plans have been agreed upon with both entities, and implementation support and close follow-up will continue to be provided for the project.

8. Procurement: Procurement performance remains moderately satisfactory, and implementation arrangements are unchanged. ERA and MoTL have been urged to accelerate all newly committed activities to ensure timely implementation before the revised closing date of June 30, 2025. The remaining activity of ITS installation on Lot 3 is expected to be procured by August 2024.

B. Rationale for Restructuring

9. There are positive changes including diversification of the works from earthworks to other critical activities such as pavement, drainage, and structural works. As of October 31, 2023, physical progress reached 66 percent. The Contractor has met the monthly agreed targets over the past several months and is now advancing on implementation progress. However, considering the time required for the execution of the remaining works, the project cannot be completed by the current closing date of December 31, 2023. The recommended extension of the project to June 30, 2025, is to complete the remaining Civil works and for installation of an ITS system under Lot 3. The ITS will include CCTV system, speed enforcement system, weight detection and control system, tolling system, variable message system, and power and communications infrastructure. With the positive momentum demonstrated on



implementation progress of Lot 3 and the strong client commitment observed in the past one year, the Project will achieve its key development objectives by June 30, 2025.

10. With the proposed project extension, ERA is expected to commit all remaining funds by June 30, 2024, and fully utilize the undisbursed balance by the revised closing date of June 30, 2025 as per the revised implementation plan. The Project restructuring will enable successful achievement of the PDO. Any activities with completion beyond that date will be financed using Government of Ethiopia own resources.

II. DESCRIPTION OF PROPOSED CHANGES

Summary of Proposed Changes

11. Extension of closing date. The proposed restructuring will extend the closing date by 18 months from December 31, 2023 to June 30, 2025. This is the third restructuring of the project. The first restructuring extended the closing date by 8 months from December 31, 2021, to August 31, 2022, and cancelled US\$75 million equivalent of uncommitted funds. The second restructuring extended the closing date by 16 months from August 31, 2022 to December 31, 2023 and cancelled US\$21 million equivalent of uncommitted funds. With this extension, the cumulative extension will be 42 months. The Government, in a letter dated on September 29, 2023 requested the World Bank to: (i) extend the closing date to June 30, 2025, and (ii) commit uncommitted surplus project funds to finance the procurement and installation of ITS on Lot 3 that is necessary for the successful completion of the project. With this extension, the Client will be able to complete the critical expressway link from Zeway to Arsi Negele (57km) to final asphalt pavement level, and other key committed project activities to be implemented effectively. The extension will allow satisfactory achievement of the PDO.

12. Utilization of project savings: As part of the restructuring, there will be a utilization of uncommitted funds amounting to US\$7 million. These funds will be allocated for the installation of Intelligent Transport Systems (ITS) on Lot 3, specifically the section from Zeway to Arsi Negele. The World Bank has already provided financing for the ITS design for all four lots of the project, as well as the ITS installation for Phase I (Lot 1 and Lot 2). The uncommitted funds will now be utilized to finance the ITS installation on Lot 3 of Phase 2, ensuring the completion of the ITS infrastructure along the entire expressway. The contract is expected to be signed by August 2024. With this restructuring, there will be no change to Component 1 but Phase 2 of the ITS which is a new phase is included.

13. The Task Team confirms that the requirements of paragraph 50 of the IPF Directive regarding extension of closing date have been met. Specifically; (i) the PDO is still relevant, in line with the government's priorities, and remains achievable; (ii) the project's progress towards achievement of the PDO and the project implementation performance are both rated as Moderately Satisfactory; (iii) the project is likely to fully achieve its development objective within the extended period; (iv) a time-bound action plan has been prepared and agreed with the World Bank to advance the project implementation to ensure the project is completed by the proposed closing date; (v) the project is not subject to suspension; and (vi) there are no outstanding audit reports and the audit reports are satisfactory to the World Bank.

III. DETAILED CHANGES



LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-56250	Effective	31-Dec-2021	31-Aug-2022, 31-Dec-2023	30-Jun-2025	30-Oct-2025