

**PROJECT INFORMATION DOCUMENT (PID)
APPRAISAL STAGE**

Report No.: 43924

Project Name	ROAD SECTOR DEVELOPMENT PHASE II PROJECT (APL2)
Region	AFRICA
Sector	Roads and highways (90%); Central government administration (10%)
Project ID	P082998
Borrower(s)	GOVERNMENT OF ETHIOPIA
Implementing Agency	<p>ETHIOPIAN ROADS AUTHORITY Ethiopian Roads Authority Address: P. O. Box 1770, Addis Ababa, Ethiopia. Contact Person: Ato Zaid WoldeGebriel, General Manager Tel: 251-1-525392 Fax: 251-1-514866 Email: era2@telecom.net.et</p> <p>Regional Roads Authorities - Selected as per project proposal Address: C/o P. O. Box 1770, Addis Ababa, Ethiopia Contact Person: Tel: Fax: Email:</p> <p>Ministry of Capacity Building Address: P. O. Box 1082, Addis Ababa, Ethiopia. Contact Person(s): Ato Tafesse Teklu, Director Ato Wondwossen Kiflu, Director Tel: 251-9-636659 Fax: 251-1-572472 Email: moch12@telecom.net.et</p> <p>Ministry of Infrastructure Address: P. O. Box 1238, Addis Ababa, Ethiopia. Contact Person: Ato Haile Asegide, State Minister Tel: 251-1-539029 Fax: 251-1-515665 Email:</p>
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Safeguard Classification	<input type="checkbox"/> S ₁ <input checked="" type="checkbox"/> S ₂ <input type="checkbox"/> S ₃ <input type="checkbox"/> S _F <input type="checkbox"/> TBD (to be determined)
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1. Country and Sector Background

1.1. **The Transport System.** Ethiopia's transport system is one of the least adequate in the world to support an efficient production and distribution system to meet the above goals. The

transport infrastructure in Ethiopia comprises a road network estimated (end 2003) at 33,878 km (of which about 16,724 km are federal roads and 17,154 km regional roads); a 781 km railway line from Addis Ababa to Djibouti (about 709 km within Ethiopia); a national merchant marine; and air transport facilities including two international airports, seven major domestic airports, and over 30 other domestic runways and airstrips. Ethiopia is a land-locked country and almost 98 percent of the country's export and import needs are presently served through the Djibouti port. Ethiopia is a land-locked country and almost 98 percent of the country's export and import needs are presently served through the Djibouti port.

Road Transport Infrastructure. Road transport is the dominant mode that carries about 95 percent of the country's passenger and freight traffic and is the only form of access to most rural communities. Despite considerable efforts to expand the Road Network over the past few decades, the country still has one of the lowest road densities in Africa. At 31 km per 1000 sq. km in 2003, although better than in 1994 (at 21 km per 1000 sq. km), is still below the average of 50 km per 1000 sq. km for Africa. As a result of the investments made under RSDP, the share of federal roads in good condition has improved from 14 percent in 1995 to 35 percent in 2003. It is estimated that about 70 % of the total area of the country is now more than half a day's walk from all-weather roads.

Road Transport Services. The operational registered vehicle fleet is estimated at 140,000 (in 2003), representing a little over 2 vehicles per 1000 population, which is very low for satisfying the overall transport needs of the country. Vehicle ownership is concentrated in Addis Ababa and a few other major urban centers, and the low vehicle supply is felt more in rural areas. Bicycles and horse-carts are used in and around urban areas and on bitumen roads. As a result, traditional modes of transport (including walking, head loading and animal transport) remain important for rural transport, with motor vehicles predominantly used for long distance freight and passenger movements.

Urban Transport. Urban transport in Addis Ababa is characterized by heavy congestion during peak periods, low vehicle utilization, weak application of traffic management measures, inadequate facilities for pedestrian and non-motorized transport (NMT) movement and poor road safety arrangement and high number of accidents. Public transport consists of publicly owned bus services, private mini bus operators and conventional taxis. The motor vehicle ownership is low in Addis Ababa at one automobile per 44 persons. The modal split for trips in the mid-90s was also estimated at pedestrian trips (70%), public transport (26%) and cars (4%).

1.2 Government Strategy

The Government has attached a high priority to the Road sector in its overall economic development program and poverty reduction strategy. In 1997, a major 10 year RSDP was launched in order to address the limited coverage and poor state of the road network, as well as, the growing transport requirements of the country. The Program was launched with a very significant donor support to create adequate capacity in the road sector, and to facilitate the economic recovery process through the restoration of essential road network. With the completion of the RSDP I, at the end of June 2002, the GOE embarked on the RSDP II. The program aimed at the further development of a strong management and technical capacity to

manage the road network, in order to address key outstanding sectoral issues, along with the development of the capacity of the DCI.

Key areas for strengthening the reform program and investment allocation priorities identified in RSDP include:

- a) Set up a more commercially oriented ERA organization
- b) Commercialization and decentralization of DMOs.
- c) Strengthen the capacity of the RRAs and Weredas for decentralized delivery of improvements to rural travel and transport.
- d) Strengthen the DCI and increase their participation in road contracts
- e) Strengthen resource mobilization by widening the financial base of the RF and enhance community participation in road construction and maintenance
- f) implement road safety measures, and axle load regulation and compliance
- g) Enhance focus on social and other development impact of transport investments.

1.3 Bank Support for the RSDP

The Bank support of the RSDP is continuing through an APL, which is to be implemented in four stages, during the RSDPII period. The first stage (APL1) was approved on June 17, 2003, as an IDA Grant of US\$126.8 million and became effective November 14, 2003. This document applies to the Stage II of the program, and like it, subsequent stages will overlap with the previous one over an overall implementation period of 10 years (2003-2013), which will be subject to review with experience.

2. Objectives

The objectives of the RSDPII Stage 2 (the Project) is to support the increase in road transport infrastructure and improve its reliability, strengthen the capacity for road construction, management and maintenance, and create conditions conducive to private sector participation in the road transport sector. These objectives are to be achieved through: (a) construction, rehabilitation, upgrading and preserving the priority Federal and Regional road network; (b) Strengthened ERA reform program; (c) developing the capacity in program implementation; and (d) the support to improved Rural Travel and Transport.

The physical target is to have an improved road condition and also to install regular maintenance on much of the Ethiopian road network. In addition, network density (km per 1000 sq. km) would increase with the construction of additional roads where limited or no access existed. Through this process the management of the sector will be strengthened, and an efficient and self-sustaining construction industry that is capable of meeting the diverse needs of the sector will also be developed.

3. Rationale for Bank Involvement

An important source of value added by Bank support is its comparative worldwide experience in the preparation and implementation of major capital expenditure programs. The donor community active in Ethiopia has acknowledged and recognized the Bank's leadership role during preparation of the RSDP. The Bank also benefits from the experience gained in

implementing comprehensive road sector development programs with institutional reforms in other African countries. Another source of advantage is the Bank's experience in road sector reform in the region gained over the last ten years through the steering of the Road Management Initiative (RMI) and the Rural Travel and Transport Program (RTTP) both of the Sub-Saharan Africa Transport Policy Program (SSATP). This has provided the Bank with the goodwill of beneficiaries and donors in creating a cooperative framework where sector reform has gradually been shaped, implemented and monitored. The APL instrument has been confirmed to provide greater flexibility in adapting project design and financing to client needs as they evolve. For this, the Bank team has already gained the experience in developing transport project using the APL instrument through the second stage in Tanzania and Uganda. The Ethiopia team is already providing support for implementation of the Stage 1 of the APL, and is ready for Stage 2 after ERA's accomplishment of required triggers. The Bank's participation thus provides for better continuity for the implementation of the long-term national program for which an initial support is under implementation.

4. Description

Component	Indicative Costs (US\$M)	% of Total	Bank-financing (US\$M)	% of Bank-financing
Rehabilitation and Upgrading of Federal Roads	178.35	68.6	115.89	66.2
Construction of Federal /Link and Regional Roads	55.92	21.5	36.34	20.9
Construction Supervision	17.99	6.9	15.66	8.9
Rural Travel and Transport Program	3.67	1.4	3.19	1.8
TA support services for ERA	1.90	0.7	1.76	1.0
Preparatory Activities	2.34	0.9	2.16	1.2
Total Project Costs	260.17	100.0	175.00	100.0
Total Financing Required	260.17	100.0	175.00	100.0

5. Financing

Source:	(\$m.)
BORROWER/RECIPIENT	85.17
INTERNATIONAL DEVELOPMENT ASSOCIATION	175.00
Total	260.17

6. Implementation

6.1 Administrative. The overall program coordination will be the responsibility of the Ethiopian Roads Authority (ERA), the legally autonomous Federal Government Road Agency. ERA also manages and administers the Trunk and Major Link Roads Program, and initially, the ERTTP. ERA is organized into three main departments - Regulatory and Engineering Services, Operations, and Human Resource and Financial Management. Deputy General Managers are responsible for managing these Departments, report to the General Manager who is responsible for program coordination, and who reports to the ERA Board as a member. In addition, a Road

Inspectorate Unit, which is accountable to ERA Board, provides independent inspection and monitoring reports on the performance of the road sector operations.

The existing arrangements have been tested and proven to be effective during implementation of the ongoing donor-supported RSDP, and a number of IDA financed completed projects including the Road Rehabilitation Project (RRP, Cr. 2438-ET), which was closed on December 31, 2002, as well as the three active projects -- RSDPSP II APL I (Grant H049-ET), RSDPSP I (Cr. 3032-ET), and Roads component of the Emergency Recovery Project (3438-ET). ERA had successfully implemented the overall program, however, some improvements in the areas of updating the Pavement and Financial Management Systems have been included in the APL2.

Maintenance of the federal trunk and link roads will be carried out both by the District Maintenance Offices of ERA, in the process of commercialization, and by private contractors. The administration of the Road Fund is the responsibility of the Road Fund Administration (RFA) under the Road Fund Board comprising representatives of the Federal Government, Regional States, ERA and local stakeholders.

The Regional Roads are managed and administered by Regional Roads Authorities (RRAs) legally autonomous Regional Government Road Agencies. They maintain the regional roads directly, or by contract, in line with their capacity. Communities and Weredas (local level governments) will be responsible for the management and administering the ERTTP.

The Ministry of Infrastructure is responsible for overseeing that the economic infrastructure of the nation are developed, efficiently operated and maintained. A number of transport sector executive agencies are accountable to the Ministry, including the ERA, the Civil Aviation Authority, the Road Transport Authority (RTA), and the Ethiopian Road Fund Administration. Having these key authorities that are involved with the different aspects of the transport sector under the same umbrella is expected to facilitate efficient resolution of the key crosscutting sectoral issues, without compromising the autonomy of the ERA.

The central coordination responsibility for the ERTTP at the federal level is now with the Ministry of Agriculture and Rural Development, which chairs the ERTTP Board at the Federal level. This arrangement facilitates preparation of the wereda studies and their subsequent implementation since it brings together all the key agencies responsible for addressing rural development issues. It is planned that with time, the secretariat function presently with ERA will move to that Ministry.

6.2 Procurement. The Engineering and Regulatory Department will be responsible for overall management of the procurement process.

Institutional Support to ERA for planning and procurement of projects, design review and approval, contract administration, claims avoidance and management is being provided under the APL1. Together with financing by other donor partners - AfDB, DFID, EC, this would further equip ERA to implement the full scope of the procurement and contract administration including road design approvals of the RSDP II.

For each contract to be financed by the Credit, the different procurement methods or consultant selection methods, the need for prequalification, estimated costs, prior review requirements, and time frame are agreed between the Borrower and the Bank's project team in the Procurement Plan. The Procurement Plan will be updated at least annually, or as required, to reflect the actual project implementation needs and improvements in institutional capacity.

6.3 Financial Management and Auditing. In the active and completed projects, funds management and administration are done at the central level of ERA and there has been no problem in disbursements and accounting of funds. For the purpose of APL2 ERA will open a Special Account (SA) at the National Bank of Ethiopia. IDA will transfer the initial advance and subsequent deposits to the SA from which ERA will pay contractors and suppliers.

The Audit Services Corporation is the external auditor of ERA, and this arrangement will continue. The annual audited financial statements, along with the management letter, will be submitted to IDA not later than six months after the end of the fiscal year.

6.4 Disbursement of IDA Funds. There are two ways in disbursing funds from the Bank. The first is the traditional method, which uses SA, SOE and direct payment procedures. The second is the report-based method, in which regular Financial Monitoring Reports (FMR) plus additional statements will be the basis for disbursement. ERA has selected the traditional way of disbursement using SA, SOE and direct payment procedures.

6.5 Monitoring and Evaluation. Monitoring and Evaluation (M & E) will be the overall responsibility of the M & E Branch of the Planning and Programming Division. Under the RSDP Phase 1 and the first year of RSDP Phase II, a local consultant financed with EC support carried out special arrangements for collecting data annually on the agreed 19 program indicators. Output and Outcome indicators and the M & E data collection under RSDP II (as outlined in Annex 3) were confirmed during appraisal. ERA will report on these indicators as part of the annual reviews of project performance. Indicators were agreed under APL1 for monitoring sector outcomes related to the various MDGs, as well as sector specific outputs. Baseline measurements are being made as part of the Road Corridor Development and Poverty Impact Assessment studies being financed under a Japanese PHRD Grant.

7. Sustainability

The critical factor required for sustainability of the program and project benefits is the continued Government commitment at the highest level to the sector policy and institutional reforms. Strengthening the institutional and organizational capacity of road agencies is essential for sustainable implementation of the RSDP and the up-keep of the road network. In addition, without fostering local contracting capacity to carry out maintenance and rehabilitation works, the country will continue to face capacity constraints to execute road programs. Without greater resource mobilization, Government will continue to face budgetary constraints in funding the required level of maintenance. Actions to be undertaken during RSDP II to address these issues are:

- a) Strengthening ERA's capacity to plan, procure and administer civil construction, associated goods and service contracts, contract administration, engineering design review and financial management
- b) Involving key stakeholders, including direct beneficiaries and project affected peoples, lawmakers and the civil society - local leaders and citizens - in project preparation and design, the framework has been set for sustained mobilization of Government and local support essential for successful implementation;
- c) Public-private partnerships in the delivery and management of transport services are being enhanced. Term maintenance contracts which will lead to performance based maintenance program are also being developed as part of the commercialization of ERA's DMO operations, and local contractor participation is being encouraged so as to improve efficiency in the use of resources;
- d) Enhancing major road works execution capacity through promotion and use of domestic contractors
- e) Resource mobilization and allocation for maintenance of the road network will continue to be improved. The private sector representation on the Road Fund Board ensures transparency and accountability in the use of funds;
- f) The participating regions/communities will finance up to 40 percent of the cost of low-level rural travel and transport infrastructure and services development to ensure ownership of the proposed program; and
- g) Continue focus on addressing social aspects of transport and broader development issues.

8. Lessons Learned from Past Operations in the Country/Sector

The importance of a realistic planning and programming within achievable goals is one of the key lessons that has been drawn from implementation of the RSDP I. The targets set for RSDP I have not been fully realized partly because of inadequate funding and lack of capacity. The program objectives and targets therefore were reviewed and re-assessed taking into account the actual and projected progress in implementation, and how that could affect planning and programming for RSDP II both in terms of the realism of proposed targets, the implementation capacity and budgetary requirements.

The early capacity building provided to ERA in contract administration, financial management and planning served as the bedrock for the effective procurement processing and contract management on the program, as well as the reconciliation and bringing up to date, the ERA entity accounts. The experience gained in RSDP I further shows the importance of maintaining support to ERA for the continued establishment and implementation of effective functions for contract administration, financial management, planning and programming and review and approval of road designs identified for RSDP II. ERA's proactive consultation and coordination of support from all agencies of Government – including customs and regulatory agencies, greatly improved the implementation of the civil works program as compared to works executed prior to the start of RSDP. The experience gained would be further improved and extended in RSDP II. In this connection, the importance of ensuring finished designs and finished contract processing, as well as thorough pre-screening of contractors at pre-qualification stage have been essential prerequisites for successful implementation of the ongoing road improvement contracts. The

association of local professionals and technicians with international firms has provided the ingredient for essential capacity building in the domestic private consulting industry, and for effective implementation of consultancy services within the country. Additional lessons drawn from RSDP I and reflected in RSDP II projects design include the need to:

- recognize the sequence of operations and mutual inter-dependence of critical activities
- recognize seasonal and other constraints on implementation and therefore the contractual provisions such as completion period
- observe proper maintenance cycle and include in the plan
- strengthen contract design review capacity in ERA and other implementing agencies
- integrate right of way management and adverse social impact mitigation with contract implementation
- consider other donor requirements, procedures and policies and coordinate and harmonize them for effective implementation
- qualify management and control for all aspects of project activities
- delegate more powers to supervising engineers for decisions related to contract implementation
- strengthen domestic construction capacity
- need to inform and ensure inclusion of all stakeholders in the preparation and implementation of the program and address their social needs

9. Safeguard Policies (including public consultation)

Safeguard Policies Triggered by the Project	Yes	No
Environmental Assessment (OP/BP/GP 4.01)	[X]	[]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]
Cultural Property (OPN 11.03 , being revised as OP 4.11)	[]	[X]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples (OD 4.20 , being revised as OP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[]	[X]
Projects in Disputed Areas (OP/BP/GP 7.60)*	[]	[X]
Projects on International Waterways (OP/BP/GP 7.50)	[]	[X]

10. List of Factual Technical Documents

Environmental Assessment

Resettlement Action Plans for the 5 roads to be rehabilitated/constructed under APL2

- (i) Upgrading and Rehabilitation of:
 - (a) Assela – Dodola and Shashemane – Goba Road
 - (b) Gob Gob – Woldiya Road
 - (c) Shire – AdiAbun Road

* *By supporting the proposed project, the Bank does not intend to prejudice the final determination of the parties' claims on the disputed areas*

- (ii) Construction Magna – Mechra Road
- (iii) Upgrading and construction of Assosa – Guba Road

11. Contact point

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