I. Project Context

Country Context

Ethiopia is a large and diverse country. It is located in the Horn of Africa and is a land-locked country with an area of 1.1 million km2—about the size of Bolivia. Its bio-physical environment includes a variety of contrasting ecosystems, with significant differences in climate, soil properties, vegetation types, agricultural potential, biodiversity and water resources. Ethiopia is a country of many nations, nationalities and peoples, with a total population of 91.7 million (2012). Only 17 percent of the population lives in urban centers, the great majority of them in Addis Ababa. At a current annual growth rate of 2.6 percent, Ethiopia’s population is estimated to reach 130 million by 2025, and is projected by the UN to be among the world’s top ten, by 2050. Ethiopia is vulnerable to terms of trade shocks from international food and fuel prices, and to large domestic weather-related shocks as the 2011/12 East Africa drought demonstrated.

Ethiopia has a federal, democratic government system, established in the early 1990s, with nine autonomous states (‘regions’) and two chartered cities. Decentralization of governance to the regional and district (woreda) levels has been actively pursued, intensively since 2003. The Ethiopian People’s Revolutionary Democratic Front (EPRDF) has been in power in Ethiopia since
1991. EPRDF comprises four regionally-based parties from the four major regions (Amhara, Oromia, Southern Nations, Nationalities and Peoples (SNNPR), and Tigray). The long-serving Prime Minister, Meles Zenawi, (from Tigray) died in August 2012, and was succeeded by Hailemariam Desalegn (from SNNPR) who has pursued largely the same policies. The next national elections are scheduled for 2015.

Ethiopia has experienced strong economic growth over the past decade. Economic growth averaged 10.7 percent per year in 2003/04 to 2011/12 compared to the regional average of 5.4 percent. Growth reflected a mix of factors, including agricultural modernization, the development of new export sectors, strong global commodity demand, and government-led development investments. Private consumption and public investment have driven demand side growth, with the latter assuming an increasingly important role in recent years. On the supply side, growth was driven by an expansion of the services and agricultural sectors, while the role of the industrial sector was relatively modest. More recently annual growth rates have declined slightly, but still remain at high single-digit levels. Growth in the export of goods has also moderated in recent years and a decline was observed in 2012/13 for the first time since 2008/09. There have been bouts of high inflation in recent years and, while inflation is currently much lower, keeping it down remains a major objective for monetary policy.

Ethiopia is one of the world's poorest countries, but has made substantial progress on social and human development over the past decade. The country’s per capita income of US$370 per is substantially lower than the regional average of US$1,257 and among the ten lowest worldwide. Ethiopia is ranked 173 out of 187 countries in the Human Development Index (HDI) of the United Nations Development Program (UNDP). However, high economic growth has helped reduce poverty, in both urban and rural areas. Since 2005, 2.5 million people have been lifted out of poverty, and the share of the population below the poverty line has fallen from 38.7 percent in 2004/05 to 29.6 percent in 2010/11 (using a poverty line of US$0.6/day). However, because of high population growth the absolute number of poor (about 25 million) has remained unchanged over the past fifteen years. Ethiopia is among the countries that have made the fastest progress on the Millennium Development Goals (MDGs) and HDI ranking over the past decade. It is on track to achieve the MDGs related to gender parity in education, child mortality, HIV/AIDS, and malaria. Good progress has been achieved in universal primary education, although the MDG target may not be met. The reduction of maternal mortality remains a key challenge.

GoE is currently implementing its ambitious Growth and Transformation Plan (GTP; 2010/11-2014/15), which sets a long-term goal of becoming a middle-income country by 2023, with growth rates of at least 11.2 percent per annum during the plan period. To achieve the GTP goals and objectives, GoE has followed a “developmental state” model with a strong role for the government in many aspects of the economy. It has prioritized key sectors such as industry and agriculture, as drivers of sustained economic growth and job creation. The GTP also reaffirms GoE’s commitment to human development. Development partners have programs that are broadly aligned with GTP priorities.

The World Bank Group’s Country Partnership Strategy (CPS, FY13-16) builds on the progress achieved by Ethiopia in recent years and aims to help GoE address structural transformation and assist in the implementation of the GTP. The CPS framework includes two pillars. Pillar One, “Fostering competitiveness and employment”, aims to support Ethiopia in achieving: (i) a stable macroeconomic environment; (ii) increased competitiveness and productivity; (iii) increased and
improved delivery of infrastructure; and (iv) enhanced regional integration. Pillar Two, “Enhancing resilience and reducing vulnerabilities”, aims to support Ethiopia in improving the delivery of social services and developing a comprehensive approach to social protection and risk management. Good governance and state building form the foundation of the CPS. In line with the GTP, gender and climate change have been included as cross-cutting issues to strengthen their mainstreaming across the portfolio. The programs of IFC and MIGA are well aligned with the CPS framework, contributing mainly to the strategic objectives under Pillar One.

**Sectoral and institutional Context**

A road sector playing catalytic role in economic development and improving the livelihood of the poor. The GoE recognizes that the size and quality of the road network needs to keep pace with rising demand, and that it is a major constraint to economic growth and poverty reduction. In response, GoE formulated the Road Sector Development Program (RSDP) in 1997, which identified the investments and crucial reforms that would be undertaken to restore and expand the road network and to reform and modernize the sector.

RSDP has been launched with the overall objectives of: (i) enhancing interconnectivity, which has been successful in connecting all Woreda/District centers and continued to reach a target of 300,000 km, required to bring the rural population within 2 km distance of all-weather road; (ii) upgrading the core/federal roads network, which is about 25,000 km to paved/sealed road standard; (iii) modernizing highly traffic roads- upgrading to expressway and introducing road toll; and (iv) ensuring sustainability of the road network.

RSDP was formulated in consultation with development partners and local stakeholders, and achieved significant support from wide range of traditional and non-traditional developing partners (DP) and the Government. DPs have mainly focused on federal roads, whereas the GoE has continued to focus on all federal, regional, rural and urban roads development. There is great need for improvements to not only the arterial and link roads, but also demand for increased infrastructure and efficiencies within the rural and community road networks, urban transport and the rail network. This new project, upon the request and prioritization of the GoE, focuses only on the federal arterials and link roads.

RSDP has been successful in increasing the classified non-urban road network from 23,000 km to 63,000 km, increasing the paved road network from 3,600 km to 9,800 km, increasing the roads in poor and fair condition from about 25 percent to about 75 percent while building the capacity to manage the fast growing network. In addition, the urban road network has doubled to about 4,556 km while some 100,000 km of unclassified roads was developed by the local communities (Woreda/Districts). However, due to poor maintenance and unclear ownership, most of the community roads do not provide all year service. The expansion and improvement of the road network has facilitated the launching of mega development projects, enhancing domestic trade, and improvement in the delivery of basic services to the rural poor.

The contribution of the road sector in changing the livelihood of the rural poor and runs back to the establishment of the Roads Department in 1951 and even earlier, as it was demonstrated that where ever there is a road the community had better access to education, market and employment opportunities. Impacts of the road development on enhancing production and rural livelihood.
Promoting decentralized road development. Transport sector development in Ethiopia is the responsibility of the Ministry of Transport (MOT) and the Ministry of Urban Development and Construction (MUDC). Road sector development and maintenance is mainly executed by the Ethiopian Road Authority (ERA), Regional Roads Authorities (RRAs), Municipal Road Authorities (MRAs) and the Woreda Road Desks (WRDs). ERA is also responsible for road sector policy, overall network planning, road development and coordination in the country. The Transport Authority is responsible for regulating transport services, including vehicle registration and licensing. Federal Roads accounting for 22,431 km of the total road network, are maintained by ERA, and the remaining 30,712 km of rural roads (all unpaved), generally fall under the RRAs. Urban roads (4,556 km) are maintained by the respective MRAs, while Addis Ababa and Dire Dawa have independent road authorities responsible for road administration.

The evolution of road contracting: One of the principal objectives of this project is to promote innovative contracting arrangements in road development and road asset management. ERA, has been constantly testing and implementing new approaches to constructing and maintaining its road network.

Ensuring safety, sustainability and efficiency as well as lowering transport cost remain to be challenges to the sector. Beyond coping up with the management of the fast expansion and improvement of the road network, the sector has to overcome major challenges, including: (i) enhancing the implementation of GoE’s Road Safety strategy that resulted in the reduction of fatal accidents from 114 death per 10,000 vehicles to 74 death per 10,000 vehicles, over the last 10 years, and achieving the target to reduce the accident rate to 27death per 10,000 vehicles, by 2016; (ii) ensuring sustainability of the roads network through effective usage of the Road Fund and instilling innovative road asset management good practices; (iii) meeting the increasing demand for higher standard roads that would help reduce vehicle operating cost and accidents (provision of roads with improved geometric parameters and paved surfaces); (iv) improving institutional efficiency, in particular on contract management and safety, to ensure the delivery of projects within planned cost and with acceptable levels of industrial safety; and (v) developing the high volume highways and expressways network to address the congestion on the road segments that are highly trafficked, to improve safety and transport operation efficiency, specifically reducing high fuel consumption and emissions.

II. Proposed Development Objectives
The proposed Project Development Objective (PDO) of the Roads Sector Support Project is to reduce travel time and cost along selected inter-regional corridors and support the sustainability of the core road network.

III. Project Description

Component Name
Upgrading of critical link roads

Comments (optional)

Component Name
Support to enhancing road asset management practice, including rescaling, overlays and maintenance under OPRC arrangement and Technical Assistance

Comments (optional)
Component Name
Support to Road Safety and institutional development, including capacity building in the areas of OPRC management, contract administration, finance, and construction site safeguards management

Comments (optional)

IV. Financing (in USD Million)

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V. Implementation
ERA will be responsible for the implementation of the project. The Ministry of Transport (MoT) will oversee Road Safety and Construction Industry development aspects.

ERA is an autonomous federal government road agency, with a Board of Directors comprising members from different institutions. Since its establishment in 1951, ERA has implemented various structural reforms aimed at strengthening and improving the organization. ERA has been implementing series of Bank financed projects and is familiar with Bank fiduciary and safeguards policies. To support the implementation of the asset management component and administer the OPRC arrangement, which are relatively new to ERA TA will be provided under the project.

The project will be implemented over eight year period, including a construction and maintenance period of three and five years, respectively. A Program Implementation Plan (PIP), providing guidance on implementation arrangements and schedules. ERA will use existing Financial Management Systems and Procurement Procedure; including the Bank’s procurement guidelines.

VI. Safeguard Policies (including public consultation)

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Comments (optional)

VII. Contact point

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