

Improved Roads in Ethiopia Stimulate Integration of Markets

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CHALLENGE

Annual income per capita in Ethiopia was just over US\$140 in 2005. Ethiopia's development has been held back by an infrastructure gap- it has one of the lowest road densities in Africa. For the government to sustain its economic growth and poverty reduction initiatives, it is imperative to address Ethiopia's severe infrastructure constraints.

APPROACH

The project was designed to support the first phase of the government's 10-year road sector development program (1997-2007). The primary aim of the project was to contribute to Ethiopia's economic development by: (i) improving trunk and regional road access and utilization to meet agricultural and other economic development needs; (ii) building up the institutional capacity in both the public and private sectors for sustainable road development and maintenance; and (iii) providing economic opportunity for the rural poor both through increased employment in rural road works and development of appropriate and affordable means of transport and services.

RESULTS

Working in partnership with other donors, IDA helped increase both the size and quality of Ethiopia's road network. The network increased from under 23,500 km of roads in 1995 to over 37,000 km in 2005.

Highlights:

- Improvement in the condition of four roads (1,334 kilometers) resulted in the reduction of vehicle operating costs by 16 percent, and travel time by 25-30 percent. Freight rates were reduced by 25 percent on the import-export route and 47 percent on the trunk roads.
- Strengthening and upgrading the surface of key roads resulted in a reduction in transport costs, stimulating production and marketing of agricultural and other commodities, and enhancing the integration of domestic markets. Estimates show a positive export growth since 1999/2000.
- The civil works contracts created employment and income earning opportunities for skilled and unskilled labor in rural areas and towns: total employment in road construction went from 9,448 in 2001/02 to 17,952 in 2003/04.
- A dedicated road fund was established in 1997 pooling proceeds from a new gas tax and substantially increasing annual expenditures for road maintenance. The proportion of roads in good condition increased from 17 percent in 1997 to 49 percent for paved roads in 2004, and 25 to 35 percent for federal gravel roads.

- The Ethiopian Road Authority (ERA) was re-established as an autonomous institution with its management accountable to a Board.
- Management and planning capacity of ERA was enhanced through the establishment of the Pavement Management System (PMS), computerization of the Maintenance Management System and updating of ERA's Financial Management System.
- Physical infrastructure developed through the project also facilitated links to farm irrigation systems and enhanced access to services for communities covered by improved roads. Anecdotal evidence (The New York Times, November 8, 2004) suggested that better roads translated into better marketing opportunities for farmers, better crop prices and the ability for parents to send their children to school. For the gravely ill, a new road can be a lifeline linking villages to health facilities in town.

IDA CONTRIBUTION

- Total project cost was US\$534 million, of which US\$306.5 million was from IDA.
- IDA supported the formulation of the government's 10-year road development program, working closely with other development partners.
- Capacity building at national and regional institutional levels represented close to 10 percent of the financing of the project. IDA helped re-establish the Ethiopian Road Authority as an autonomous institution and introduced the commercialization of its operations. It also helped establish a dedicated road fund for maintenance.
- The completion of background village travel and transport surveys (financed through an IDA-administered Japanese grant) led to the formulation of Ethiopia's Rural Travel and Transport Program for rural roads and local level development plans in subsequent years.
- IDA initiated an HIV/AIDS strategy for the transport sector, and provided initial funding for the Ethiopia Multi-Country HIV/AIDS program, taking a pragmatic approach to health by tackling virus transmission on construction sites and trucking routes.

PARTNERS

The Africa Development Bank, the European Commission, Germany, Japan, the Nordic Development Fund and the United Kingdom co-financed various project elements.

NEXT STEPS

The project's sustainability was enhanced by the establishment of a dedicated road fund for road maintenance, and the institutional strengthening and capacity building measures implemented under the project. The involvement of beneficiaries and stakeholders in sector reform also had a significant sustainability dimension. However, despite large gains in the past decade, Ethiopia's infrastructure endowment remains far short of what it should be: Ethiopia has five times fewer roads (and 29 times less electricity usage) than comparable countries controlling for income, geography and other factors.

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Road Sector Development Program Support Project (1998-2005)

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