

AFRICAN DEVELOPMENT FUND



MULTINATIONAL – (ETHIOPIA–DJIBOUTI) - TRANSPORT CORRIDOR PROJECT PHASE I

PROJECT APPRAISAL REPORT

Public Disclosure Authorized

Public Disclosure Authorized

July 2019

RDGE/PICU/COET

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Currency Equivalents

As of January 2019

1 Unit of Account	=	ETB 38.8828
1 Unit of Account	=	USD 1.39079
1 Unit of Account	=	DJF 246.058
1 United States Dollar	=	ETB 27.95735
1 United States Dollar	=	DJF 176.91959

Fiscal Year

8 July – 7 July for Ethiopia

1 January – 31 December for Djibouti

Weights and Measures

1 metric tonne	=	2204 pounds (lbs)
1 kilogramme (kg)	=	2.200 lbs
1 metre (m)	=	3.28 feet (ft)
1 millimetre (mm)	=	0.03937 inch (“)
1 kilometre (km)	=	0.62 mile
1 hectare (ha)	=	2.471 acres

Acronyms and Abbreviations

AC	Asphalt Concrete	HIV	Human Immunodeficiency Virus
ASC	Audit Services Corporation	HoA	Horn of Africa
AfDB	African Development Bank	IDA	International Development Association
ADF	African Development Fund	IsDB	Islamic Development Bank
ADR	Djibouti Roads Agency	OCB	Open Competitive Bidding
AADT	Average Annual Daily Traffic	IP/DO	Implementation Progress / Development Outcome
ADT	Average Daily Traffic	IFMS	Integrated Financial Management Information System
AIDS	Acquired Immune Deficiency Syndrome	IGAD	Intergovernmental Authority on Development
AG	Attorney General	LC	Local Cost
AFD	French Development Agency	LCS	Least Costs Selection
CBO	Community Based Organization	MTP	Medium Term Plan
DBM	Dense Bituminous Macadam	MoET	Ministry of Equipment and Transport
CSP	Country Strategy Paper	MoEFI	Ministry of Economy Finance & Industry
CFRA	Country Fiduciary Risk Assessment	MoHUEAT	Ministry of Housing, Urban Planning, Environment and Spatial Planning (French acronym)
DfID	Department for International Development	NGO	Non-Governmental Organisation
DPCR	Djibouti Ports Roads Corridor	NPV	Net Present Value
DPFZA	Djibouti Ports and Free Zone Authority	OSBP	One Stop Border Post
DoT	Department of Transport	ORF	Office of Road Fund
DoEF	Department of External Finance	OFAG	Office of Federal Auditor General
EIRR	Economic Internal Rate of Return	PAP	Project Affected Persons
ESW	Economic Sector Work	PIU	Project Implementation Unit
ESIA	Environmental and Social Impact Assessment	PCR	Project Completion Report
ESMP	Envi. and social Management Plan	PFM	Public Financial Management
EA	Executing Agency	QCBS	Quality and Cost Bases Selection Request
ERA	Ethiopian Roads Authority	RFP	Request for Proposal
ETB	Ethiopian Birr (Currency)	ROW	Right of Way
ETA	Ethiopian Transport Authority	RSDP	Road Sector Development Program
EU	European Union	SPN	Specific Procurement Notice
FC	Foreign Currency	STI	Sexually Transmitted Infection
FM	Financial Management	TYS	Ten Year Strategy
GNP	Gross National Product	TEU	Twenty foot Equivalent Units
GOE	Government of Ethiopia	TA	Technical Assistance
GPN	General Procurement Notice	TSWG	Transport Sector Working Group
GTP	Growth and Transformation Plan	VOC	Vehicle Operating Costs
GDP	Gross Domestic Product	WB	World Bank
HDM	Highway Design and Management		

Grant Information

Client's information

RECIPIENTS :

- FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
- REPUBLIC OF DJIBOUTI

EXECUTING AGENCIES:

- ETHIOPIAN ROADS AUTHORITY
- PROJECT IMPLEMENTATION UNIT IN THE DEPARTMENT OF TRANSPORT, DJIBOUTI

Financing plan

Source	Amount (UA)	Instrument
ADF /PBA: ETHIOPIA	33,224,197	GRANT
ADF /RO : ETHIOPIA	33,224,197	GRANT
ADF/ ETHIOPIA - From cancelled grants	206,926	GRANT
ADF/ETHIOPIA –From cancelled loans converted to grants	2,986,065	GRANT
ADF /PBA: DJIBOUTI	1,900,000	GRANT
ADF /RO : DJIBOUTI	1,900,000	GRANT
GOVERNMENT OF ETHIOPIA	108,162,615	COUNTERPART
TOTAL COST	181,604,000	

ADF's key financing information

Grant currency	Units of Account
EIRR, NPV (base case)	23.3%, USD 260.3 m

**if applicable*

Timeframe - Main Milestones (expected)

Concept Note approval	April, 2018
Project approval	15 July 2019
Effectiveness	Nov 2019
Last Disbursement	Dec 2026
Completion	Dec 2025

Project Summary

Project Overview

1. The Ethiopia – Djibouti Transport Corridor Project Phase I will improve logistics and road access to sea ports to Ethiopia and deepen regional integration in the economy, trade and transport. Ethiopia – Djibouti regional integration goes back over a century in the days of the now disused narrow gauge Djibouti – Addis Ababa railway which has been replaced with a new electrified standard gauge railway.
2. The project consists of the construction of 60km of the new 126 km 4-lane expressway from Adama to Awash, design of one-stop-border post and sections of road, policy, sector reforms in Djibouti transport sector and capacity building. The expressway is along the southern export-import route through Dewele/Galile border point which is a shorter route to the sea by 120km compared to the existing northern route passing through Galafi border point.
3. The project will cost UA 181.60 million and is financed by an ADF Grant of UA 69.64 million to Ethiopia and ADF Grant of UA 3.80 million to Djibouti and a GoE contribution of UA 108.16 million. The road works will take 4.5 years whilst the various Djibouti consultancy services will take up to 3 years to complete.
4. The project beneficiaries will include businesses people within the agriculture, trade and import-export sectors, including 3000 truckers who drive the 900 km between Djibouti and Addis Ababa and youths who will receive over 95% of the job opportunities during the construction. Djibouti will benefit from increased trade, port revenues and jobs as well as bankable projects, improved capacity in management of the transport sector.

Needs Assessment

5. A 2015 ESW Bank-funded recommended that Ethiopia should invest in strategic transport infrastructure and logistics systems along main trade and transport corridors, underscoring the importance of the main Ethiopia-Djibouti export/import corridor. The Ethiopian imports and exports represent about 80% of activities at the Djibouti ports, the main driver of Djibouti economy. Djibouti therefore needs efficient transport and transit to evacuate the cargo on land to Ethiopia, which is currently lacking. Djibouti transport sector has major institutional capacity gaps and needs reforms, vital to the country's goals of becoming regional transport and logistics hub.

Bank's Added Value

6. The Bank's 2013-2022 TY5 has prioritized infrastructure development as reinforced by the High 5s focus on regional integration. By facilitating trade and transport, this project will add value to Ethiopia's import/export sector and to Djibouti ports. The Bank is the fourth largest development partner in the transport sector in Ethiopia, and has invested in Djibouti ports. The proposed project consolidates Bank's contribution in the transport and regional integration.

Knowledge Management

7. The proposed project is a product of 2014/15 diagnostic ESW. The project will gather and analyse knowledge to inform the design of Djibouti policy and sector reforms which will be used to design future interventions in Djibouti. This project will employ initiatives developed in previous Bank funded projects: (a) ROW activities have been included as part of the supervision consultancy to increase efficiency in land acquisition and (b) the supervision consultants' camps will be located and designed such that they can be easily converted to local learning and /or health facilities after project completion, enhancing social inclusiveness. Having successfully executed the Modjo – Hawassa expressway using design & build concept, the knowledge gathered there will be used in implementing this project.

Country and project name: Ethiopia – Djibouti Transport Project Phase I

Purpose of the project: To improve road transport connectivity between Ethiopia and Djibouti, and reform / build capacity of transport sector in Djibouti. *(All data shall be gender segregated)*

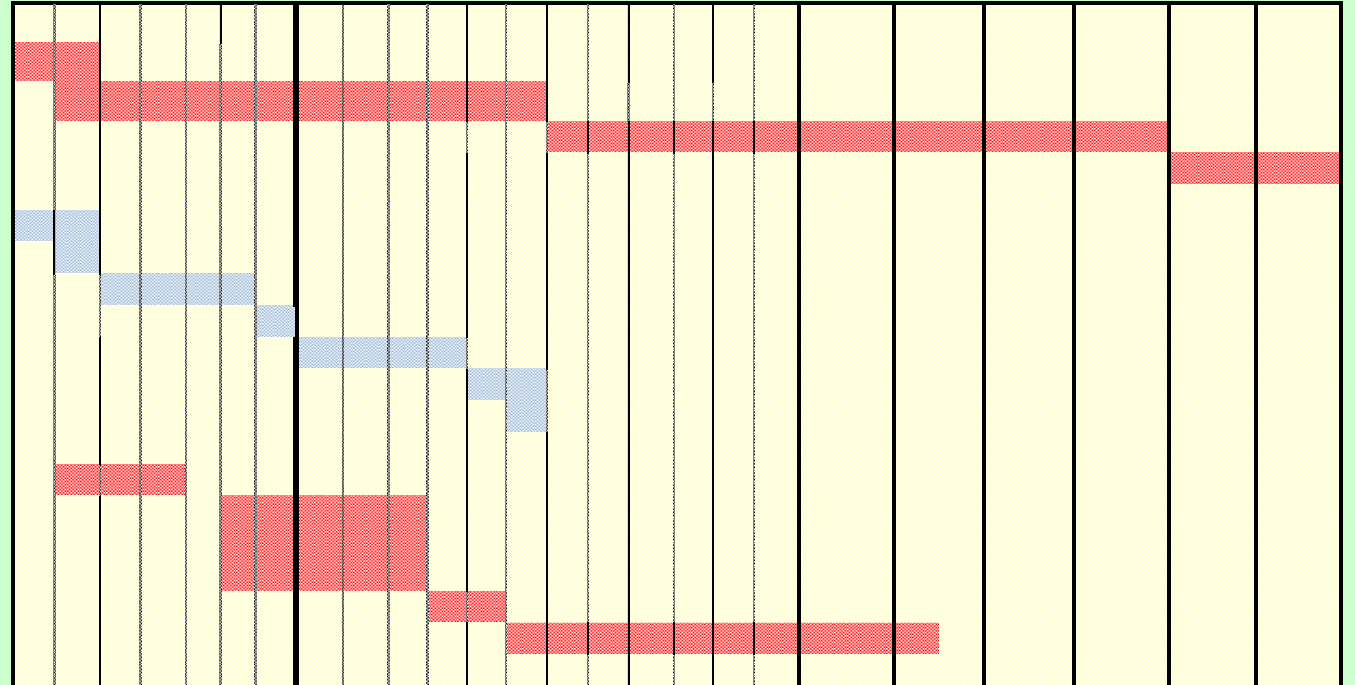
RESULTS CHAIN	PERFORMANCE INDICATORS			MEANS OF VERIFICATION	RISKS/MITIGATION MEASURES	
	Indicator (including CSI)	Baseline : 2018	Target : 2028			
OUTCOMES Increase Ethiopia imports and exports through Djibouti ports 1. Improved connectivity 2. Reduced transport costs 3. Reduced travel times 4. Improved transit service level	Change in vol of Ethiopia exports and imports thro' Galafi & Dewele border pts. 1. Increase in traffic 2. VOC per veh-km 3. Ave. vehicle journey time from Adama to Awash	Dewele = 1% Galafi = 99% 1. AADT =2936 2. USD 0.62 3.time: 1.41 hrs	Dewele > 50% Galafi < 50% 1. AADT= 3,718 2. USD 0.5 3. Time: 0.56hrs	Ethiopian and Djibouti Statistics Agencies ERA , Statistics Dept, Monitoring & Evaluation	a) Risk of delay due to contractors and consultants' poor performance. In mitigation, only well performing contractors and consultants will be prequalified /short-listed. b) Climate change risks increased rainfall/runoff/ erosion: In mitigation adequate drainage, high road embankment, with PAPs involvement. c) Risk: delayed implementation of RAP. In mitigation, a RoW expert has been included in the supervision consultancy d) Risk: increased HIV/AIDS/STI. In mitigation, awareness against negative social behaviours provided. e) Accident risks: in mitigation, expressway is fenced off and safety awareness provided. f) Sustainability risk: In mitigation, ORF to increase revenue. Federal budget allocated to close funding gaps. g) Risk of project delays due to Djibouti low capacity. In mitigation, Project is providing capacity building and PIU Djibouti h) Djibouti sustainability risk: in mitigation, reforms in transport will ensure trained staff implement policy and are retained in the government service.	
OUTPUTS 1: New expressway in Ethiopia 2. FS & DD of OSBP & roads 3Capacity building in Djibouti transport sector 4.Implementation of ESMP/ RAP incl. 6 water boreholes 5. Sensitization of PAPs/staff on HIV/AIDS, safety, gender 6. Creation of employment	1. Km of new expressway 2. FS & DD reports 3a). No. of staff trained & No. of trainings provided (all female) b) Coherent 15-year transport sector master plan 4. No. PAPs compensated + No. working boreholes 5. No. PAPs sensitized 6. No. of jobs	1. Nil 2. Nil 3a). Nil b)No master plan in place 4. Nil 5. Nil 6. Nil	1. 60km 4-lane expressway 2. Full FS/DD reports 3. a)30 staffs trained (incl. all female staff) b) Sector plans, etc. 4. All PAP compensated + 6 boreholes 5. ALL PAPs sensitised 6. 1,000 jobs per month (Target: 30% women)	Bank mission Supervision Reports, Quarterly Progress reports by EA and the PCR		
COMPONENTS		INPUTS				
KEY ACTIVITIES	ETHIOPIA 1. Civil works for construction of 60km of Lot 1 of Adama-Awash expressway 2. Supervision consultancy services for construction works 3. Consultancy services for Road safety audit, sensitize PAPs/staff on HIV/AIDS, safety, gender in Ethiopia & Djibouti 4. Compensation and Resettlement of PAPs. 6: Project Audit services	Costs - millions UA/ ETHIOPIA Civil Works 131.65 Supervision Services 3.24 Safety audit & Sensitization 0.25 Project Audit 0.10 Compensation & Resettlement 12.93 Base Cost I 148.58 Physical Contingencies 14.82 Financial contingencies 14.82 Project cost I (Exc. VAT) 177.80		Costs - millions UA / DJIBOUTI Transport Policy, strategy, reforms 1.50 Sector TA, capacity building, training 0.80 FS & DD OSBP at Gaulile 0.30 PIU 0.80 Audit consultancy 0.05 Base Costs II 3.45 Contingencies 0.35 Project Cost II 3.80 Total Project Cost (I + II) 181.60		Sources of financing (million UA) ADF Grant/ PBA / ET 33.22 ADF Grant / RO / ET 33.22 ADF Grant/Canceled Proj./ ET 3.19 Total 69.64 ADF Grant/PBA / DJIBOUTI 1.90 ADF Grant/RO /DJIBOUTI 1.90 Total 3.80 Total External resources 73.44 GOE counterpart Funds 108.16 GoD counterpart Funds 0.00 Total (Exc. VAT) 181.60
	DJIBOUTI 7. FS & DD OSBP at Gaulile and road sections 8. TA, capacity building & sector reforms in transport sector (ADR, MoET, MoHUEAT,) and production of policy and strategy. 9. PIU 10. Project Audit services					

TIMEFRAME

Ethiopia- Djibouti Transport Corridor Project

YEAR MONTH	2019												2020												2021	2022	2023	2024	2025...	...2028
	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12											

Task Name	Start	Finish
Bank Board approval of Project funding	15-Jul-19	
Ethiopia:		
1-Jul-19	30-Jun-20	
Construction period (4.5 years)		
1-Jul-20	31-Dec-24	
DLP (1 Yr) + Warranty (3 Yrs)		
1-Jan-25	31-Dec-28	
Ethiopia: Detailed procurement		
Bank no-objection of Procurement document	1-May-19	30-Jul-19
Publication of General Procurement Notice	1-Jul-19	
Prequalification	1-Aug-19	30-Nov-19
No-objection to Prequalification and Report	1-Dec-19	31-Dec-19
Bidding	1-Jan-20	30-Apr-20
Evaluation of Bids Report	1-May-20	30-Jun-20
Negotiation and award of Contracts	1-Jun-19	30-Jun-19
Djibouti:		
Procurement & Seeting up of PIU at DoT	1-Jul-19	30-Sep-19
Procurement of consultancy for Policy & Reforms	1-Nov-19	31-Mar-20
Procurement of consultancy for TA and training	1-Nov-19	31-Mar-20
Proc. of consultancy for FS& DD of OSBP + Roads	1-Nov-19	31-Mar-20
Mobilization by all consultancies	1-Apr-20	30-May-20
implementation of services (2 years)	1-Jun-20	30-Jun-22



REPORT AND RECOMMENDATION OF THE MANAGEMENT OF THE ADF BOARD OF DIRECTORS ON A PROPOSED GRANT TO ETHIOPIA AND DJIBOUTI TO FINANCE THE MULTINATIONAL ETHIOPIA-DJIBOUTI TRANSPORT CORRIDOR PROJECT PHASE I¹

Management submits the following Report and Recommendation on a proposed Grant of UA 69,641,385 to the Federal Democratic Republic of Ethiopia and a Grant of UA 3,800,000 to the Republic of Djibouti to finance the Multinational Ethiopia - Djibouti Transport Corridor Project Phase I in Ethiopia and Djibouti.

I – STRATEGIC THRUST & RATIONALE

1.1. Project linkages with country strategy and objectives

Role of Transport in Trade and Regional Integration, and alignment with CSPs

1.1.1 The proposed Ethiopia-Djibouti Transport Corridor Project Phase I aims to deepen regional integration through improved transport infrastructure and institutional capacity that will increase trade through efficient transport in the HoA. The project will improve the road transport serving Djibouti and Ethiopia and further with Kenya and South Sudan.

1.1.2 The proposed project is aligned with the Pillar I (infrastructure development) of the current Ethiopian CSP (2016-2020) and Pillar 4 (bridging infrastructure gaps) of government 5-year plan (GTP II, 2016-2020). The project is also in line with Djibouti's current CSP (2016 – 2020) under pillar II (Support for good governance through institutional capacity building), the country's long-term vision 2035 as well as the regional aspirations of IGAD and COMESA. The proposed project is in line with the objectives of Bank's TYS and the High 5s including Integrate Africa, Industrialize Africa, Improve the Lives of Africans, and is a priority in the EA-RISP (2018-2022) pipeline of projects. The project is sponsored by both governments, building on existing intergovernmental cooperation in transport.

Strategic alignment of the project with development objectives

1.1.3 According to the Bank's 2014/15 transport sector diagnostic study, Ethiopia needs to invest in strategic transport infrastructure and logistics systems along main trade and transport corridors. The most important of these is Addis Ababa -Djibouti which takes more than 90% of Ethiopian imports and exports, via Djibouti ports and transported on road through Galafi border post. This route is long and severely damaged. Therefore, this project proposes to upgrade the alternative southern corridor through Dewele/Gaulile border post to a tolled expressway. This route will be 120km shorter, reducing transport costs and carbon emissions. The new expressway will be an addition to Bank-supported / ongoing tolled Modjo – Hawassa and an extension of the existing tolled Addis Ababa - Adama expressways.

1.1.4 Ethiopia imports and exports represent about 80% of Djibouti ports activities and the port business constitute the main driver of economic growth in Djibouti. Thus, the government has been strategically investing in deep water ports. For this investment to pay off, Djibouti needs efficient logistics system to evacuate the cargo on land to Ethiopia, in order to maintain its competitiveness. A regional approach in developing these infrastructure assets, coupled with 'soft' facilitation measures and institutional capacity building will therefore yield win-win

¹ Subsequent phases of the project will be financed using PPP schemes

outcomes. In this regard, both countries are developing jointly the key road and railway networks serving the port and Ethiopia and complementing the multimodal transport system.

1.1.5 Furthermore, Djibouti transport sector has major institutional capacity gaps which has resulted in poor maintenance of road assets, and slow pace of sector reforms. To address these challenges, the government has created the DPCR to be fully responsible for 7 key road transport corridors serving Djibouti Port. ADR will maintain responsibility for the rest of road network, while the parent ministry (MoET) is responsible for policy and strategy.

1.1.6 These institutional changes call for enhanced policy/strategy and capacity building in the transport sector to improve coordination and ensure that reforms in the various sub-sectors (ports, rail, airports, roads etc.) are undertaken in a coherent and sustainable manner.

1.2. Rationale for Bank's involvement

1.2.1 The Addis Ababa – Djibouti transport corridor is the Ethiopia's gateway to the sea, binding these two countries together. Consequently, Bank investment in the proposed project will deepen regional integration, increase stock of tolled expressways and improve logistics, close institutional capacity gaps in Djibouti transport sector and provide new policy and strategy and sector reforms. The proposed investment will be the first Bank intervention in Djibouti road subsector, and a logical continuation to its investment in Djibouti's ports and will consolidate Bank's interest in transport as a major enabler of international trade (See Annex A).

1.2.2 Ethiopia-Djibouti transport corridors require over USD 1 billion to develop 900km of road and extensive institutional capacity building. This huge amount requires donor support in a phased approach. There are plans develop phase 2 of the project using PPP. Trade Mark East Africa and JICA are considering funding the construction of the OSBP in the near future. Saudi Fund and JICA have already pledged over USD 150 million to rehabilitate the worst section of the network between Djibouti city and Galafi border point. The Bank is supporting the design of the Galafi OSBP and trade and transport facilitation along these transport corridors.

1.2.3 In supporting this project, the Bank is adding value to Ethiopia's export / import sector and will contribute to Djibouti's growth through the ports by facilitating trade and transport and linking economic growth poles, in line with Bank's aspirations for a transformed Africa.

1.3. Donors coordination

1.3.1 Transport Sector Working Group (TSWG), which meets quarterly, is responsible for aid coordination and policy dialogue in Ethiopia transport sector. Donor support has played a significant role in the transport sector mainly by funding road construction. Between 1997 and 2017, the DPs collectively disbursed UA 2.497 billion (ETB 54.72 billion), representing 21.4% of funds disbursed in the road sub sector. The WB is the largest donor at 8.2%, followed by EU (4.4%), China (3.4%), and AfDB (2.4%). All donor support comes in form of specific projects that are aligned with government strategy (See Table 1.1).

1.3.2 Donor coordination in Djibouti started in December 2015. This late entry is due to insufficient donor representation in the country. Since then, a mechanism has been formed with four thematic/sector groups and 15 sub-thematic/sector groups covering all sectors including transport. The key DPs include the AfDB, JICA, WB, EU, IsDB, AFD, USAID and China.

Table 1.1: Donor Coordination

Ethiopia Road subsector	Size		
	GDP	Exports	Labor Force
Construction	15%	N/A	N/A
Players - Public Annual Expenditure (Road Subsector)**			
Government	Donors	WB=8.2%; EU = 4.4%; China =3.4%; AfDB = 2.4%	
[UA 9,180 M] = 78.6%	[UA 2,497 M] = 21.4%		
Level of Donor Coordination			
Existence of Thematic Working Groups			[Y]
Existence of SWAPs or Integrated Sector Approaches			[Y]
ADB's Involvement in donors coordination***			[M]

**** L: leader, M: member but not leader, none: no involvement

II – PROJECT DESCRIPTION

2.1 Project Objective and Components

2.1.1 Sector Goal and Project Objective

The transport sector goal is to contribute towards the socio-economic development by providing an efficient and effective transport system in Ethiopia and Djibouti. The proposed project aims to improve road infrastructure and institutional capacity whose impact will be to deepen regional integration through increased trade within the Horn of Africa region.

2.1.2 Ethiopia Components

1. Construction of 60 km Lot 1: Adama –Awash Expressway: Using design-and-build concept and within a 60m wide ROW, construct 60 km of a new 4-lane 7.2 m wide dual carriageway with a 9 m grassed median. The pavement consists of 110 mm layer AC on 200 mm DBM base. Along the 60km, the expressway will have three split-level interchanges, 29 under/over passes for vehicles, pedestrians and animals, and three split level railway crossing. The alignment has maximum gradient 4% for speeds of 100 – 120 km/h. The works will include the full implementation of the ESMP, including the provision of 6 working water bores holes.

2. Supervision services for construction works for above works and the design of OSBP at Gaulile/Dewele border. The engineering consultants shall control quality, quantity, cost and progress of the works including the ESMP. Design of OSBP will include security and ICT systems and shall liaised with Djibouti. A provisional sum of UA 140,000 in the consultancy will provide logistics support to government officials during bi-lateral coordination meetings.

3. Compensation and resettlement of PAPs. In acquisition of RoW, the government will identify, value and compensate and/or resettle all PAPs in accordance with the RAP, paying attention to timely settlement, special support to vulnerable people and livelihood restoration. The RoW expert in the supervision consultancy will assist in this process.

4. Road Safety Audit and Sensitization: Safety audit will be conducted at design/construction/post construction phases. PAPs will be sensitized on gender, HIV/AIDS, road safety. Ethiopian Truckers Association will be supported with office furniture and computers.

5. Consultancy for Project Audit services for the Ethiopia components of the project.

2.1.3 Djibouti Components

1. Policy, Strategy and Reforms: A multi-disciplinary consultancy service will prepare a 15-year transport policy and propose sector reforms in national and urban mobility (focused on Djibouti city). In addition, prepare various frameworks / guidelines etc., to empower DoT / MoET, ADR and DPCR in planning and design, procurement, financial management and social and environmental safeguard and their coordination. The expertise will include an engineer, economist, and experts in safeguards, legal, urban, maritime, air and rail transport.

2. Technical Assistance and short / long-term staff training: Two (2) individual consultants (Transport Economist, Urban Mobility) shall be seconded to DoT and ADR to build capacity and transfer of knowledge by serving in the various departments. The TA experts shall design and implement appropriate skills development for staffs in DoT, DoEF, MoHUEAT by organizing study tours and trainings in transport engineering, environment, social, economics, finance, urban mobility, legal, regulatory and institutional matters, and others.

3. Design of OSBP at Gaulile/Dewele & road section: An engineering & architectural firm shall provide feasibility studies and engineering design of identified road sections and architectural design of the OSBP at the Djibouti side of the Gaulile border point with Ethiopia.

4. Project Implementation Unit (PIU): An independent PIU to be overseen by the Director of DoT shall be procured. PIU will consist of Transport Engineer, Procurement and Financial Experts and supported by administrative staff. The PIU shall procure and manage all other activities. The PIU will be provided with vehicles, office space and equipment and furniture.

5. Consultancy for Project Audit services for the Djibouti components of the project.

Table 2.1 below outlines the components and the costs.

Table 2.1: Project Components for both Ethiopia and Djibouti

nr.	Component name	Est. cost (million UA)
ET.1	Construction works for Lot 1: Adama – Km 60 Expressway	131.65
ET.2	Supervision consultancy service for Lot 1 Adama – Km 60 Expressway	3.24
ET.3	RAP: Compensation / relocation of PAPs	12.93
ET.4	Road Safety audit & Sensitization of PAPs	0.25
ET.5	Project Audit services	0.10
DJ.1	Djibouti Transport Policy, strategy & Reforms	1.50
DJ.2	Djibouti TA and Transport sector capacity building	0.80
DJ.3	FS & DD of roads & OSBP	0.30
DJ.4	PIU	0.80
DJ.5	Project audit services	0.05
	Contingencies	29.98
	Project Cost (Exc VAT)	181.60

2.2. Technical solution retained and other alternatives explored

2.2.1 Three routes were examined to determine the best technical solution for the Adama - Awash road section. These were: widening of the existing road to 4-lanes; construction of a new 4-lane expressway; and construction of a new 6-lane expressway. The three alternatives were subjected to engineering and economic / cost & benefit analyses. A new 4 –lane expressway was found to have better economic returns. Table 2.2 illustrates the reasons of rejecting the alternatives.

Table 2.2: project alternatives considered and reasons for rejection

Alternative name	Brief description	Reasons for rejection
Alt 1: Widen Existing Road	Widen the current dilapidated 2-lane road to 4 lane single carriageway	<ul style="list-style-type: none"> ▪ The ROW acquisition / RAP cost will be very high because the existing corridor is heavily populated and settled. ▪ Construction of the works will be more difficult and delays are likely because the road will be in use during construction. ▪ The economic analysis returned a poorer result compared with 4-lane expressway alternatives.
Alt 2: Construct new 6-lane expressway	Construct a new 6-lane dual carriageway expressway	<ul style="list-style-type: none"> ▪ This is a more expensive alternative. ▪ Projected traffic volumes do not warrant the provision of a 6-lane expressway.

2.3. Project type

2.3.1 The proposed Project is stand-alone operation designed as the first phase of multi-donor multinational transport corridor between Ethiopia and Djibouti.

2.4. Project cost and financing arrangements

2.4.1 The costs for the expressway in Ethiopia (Table 2.3a) are based on preliminary engineering concept design carried out by consultant firm. Costs compare well with the current

markets rates. Table 2.3b shows the cost for Djibouti components. The overall Project Cost exclusive of VAT / taxes is UA 181.60 million (Table 2.3c).

2.4.2 The foreign currency requirement will be 72.5% of the Project Cost. Table 2.4 outlines the cost of each project category in UA and USD, in both FC and LC. Table 2.5 shows the estimated annual expenditure by component throughout project implementation.

2.4.3 The following resources will fund the project: (a) an ADF-14 grant of UA 69.64 million to Ethiopia (b) an ADF-14 Grant of UA 3.8 million to Djibouti and (c) Government of Ethiopia counterpart funds of UA 108.16 million. (See Tables 2.6 and 2.7 below). The ADF resources totaling UA 73.44 million will come from cancellations, ADF XIV PBA and RO envelop. The governments will cover the VAT.

2.4.4 It is proposed that part of the resources to finance the Ethiopia component of the project will be from cancelled loans amounting to UA 2.986 million from the following completed projects: (a) Rural Electrification Project II, (b) Electricity Transport System Improvement Project.

2.4.5 In accordance with the Revised Guidelines on Cancellations of Approved Loans, Grants and Guarantee upon cancellation of resources, a ratio of 70:30 is applied whereby 70% of the cancelled resources are retained by the country for commitment to ongoing operations or new activities and 30% of the resources revert back to the ADF pool. The Operational Guidelines of the ADF -14 Resource Allocation Framework (the “ADF 14 Guidelines”)

Section 2.6, stipulates that cancelled resources will keep their original form (loan/grant) regardless of the risk of debt distress of the country at the time of the cancellation. In line with this principle, the resources from the cancelled loans should be retained in the form of a loan. However, given the evolving debt issues in some ADF countries, and discussions around debt sustainability, including the dynamic IMF debt sustainability analysis (DSA), under discussions during the ADF-15 replenishment negotiations, the Bank management requested the ADB and ADF Boards to waive the provisions of the ADF 14 Guidelines with respect to the Republic of Mozambique and Sierra Leone and approved the conversion of the loans into grants. Management seeks a similar waiver in the case of Ethiopia due to the high risk of debt distress, informed by Ethiopia’s IMF’s 2018 DSA². Accordingly, Management proposes that ADF’s Board of Directors provides an exceptional waiver to permit the conversion into a grant of the cancelled loans amount of UA 2.986 million.

2.4.6 The available resources to finance the Djibouti component of the Project consist of a UA 3.8 million loan from PBA and RO envelopes. Djibouti is currently classified, under the Bank Group Credit Policy as an ADF- Gap country, i.e. with income above the operational cut-off to access AfDB eligibility but not deemed creditworthy for non-concessional lending. However, the IMF Staff Report for the 2016 Article IV Consultation—Debt Sustainability Analysis dated February 7, 2017 concluded that Djibouti remains at a high risk of debt distress. This classification was confirmed in the IMF/WB LIC DSAs for Poverty Reduction and Growth Trust (PRGT)-eligible countries list that was updated in May 2019. Management takes note of recent decisions by this Board requiring ADF countries that have been recently classified as a high risk of debt distress (Mozambique and Sierra Leone) by the most recent IMF DSA to receive grants only and have approved certain waivers to the ADF-14 Operational Guidelines. In this regard, it is worth noting that the ADF-14 Operational Guidelines at Annex

² IMF Country Report No. 18/354

II, Section II.18 provide inter alia that, “Gap, blend and graduating countries are not eligible for grants, regardless of their debt sustainability framework [DSF] status.” Management therefore proposes and recommends that the Board waives the provisions of Annex II, Section II.18 of the ADF-14 Operational Guidelines in order to permit Djibouti to access financing on grant only basis by virtue of the most recent IMF DSA classifying Djibouti as under High Risk of Debt Distress.

2.4.7 The ADF will finance 100% of the project cost of the Djibouti components. Appendix IV provides a justification for use of the ADF funds to cover Djibouti’s counterpart contribution.

Table 2.3a: Ethiopia: Project cost estimates by component

Costs of Ethiopia Components of the Project		Costs of Project						Per centage of FC
		UA (Millions)			US (Millions)			
		FC	LC	Total	FC	LC	Total	
i	Civil Works	105.32	26.33	131.65	146.48	36.62	183.10	80%
ii	Supervision consultancy services	2.27	0.97	3.24	3.15	1.35	4.51	70%
iii	Road Safety Audit & Sensitization of PAPs	-	0.25	0.25	-	0.35	0.35	0%
iv	Project Audit consultancy services	-	0.10	0.10	-	0.14	0.14	0%
v	Compensation and Resettlement	-	12.93	12.93	-	17.98	17.98	0%
Base Cost		107.59	40.58	148.17	149.63	56.44	206.07	
vi	Physical Contingencies (10% of Base cost)	10.76	4.06	14.82	14.96	5.64	20.61	
vii	Price Cont (10% of Base Cost)	10.76	4.06	14.82	14.96	5.64	20.61	
Project Cost (Exclusive of VAT)		129.11	48.70	177.80	179.56	67.73	247.29	
viii	VAT (15% of Project Cost)	-	26.67	26.67	-	37.09	37.09	
Project Costs (Inclusive of VAT)		129.11	75.37	204.47	179.56	104.82	284.38	63%

Note: Exchange rates (January 2019): 1 UA = ETB 38.8828 = USD 1.39079 = DJF 246.058

Table 2.3b: Djibouti: Project cost estimates by component

Costs of Djibouti Components of Project		Costs of Project						Per centage of FC
		UA (Millions)			US (Millions)			
		FC	LC	Total	FC	LC	Total	
i	Policy, Strategy & Reforms of the sector	0.90	0.60	1.50	1.26	0.84	2.09	60%
ii	TA, training & capacity building	0.56	0.24	0.80	0.78	0.33	1.11	70%
iii	FS & DD OSBP at Gaulile	0.21	0.09	0.30	0.29	0.13	0.42	70%
iv	PIU	0.56	0.24	0.80	0.78	0.33	1.11	70%
v	Project Audit consultancy services	-	0.05	0.05	-	0.07	0.07	0%
Base Cost		2.23	1.22	3.45	3.11	1.70	4.80	
vi	Price & Physical Cont (10% of Base Cost)	0.22	0.12	0.35	0.31	0.17	0.48	
Project Cost (Exclusive of VAT)		2.46	1.34	3.80	3.42	1.87	5.29	
vii	VAT (15% of Project Cost)	-	0.57	0.57	-	0.79	0.79	
Project Costs (Inclusive of VAT)		2.46	1.91	4.37	3.42	2.66	6.08	56%

Table 2.3c: Ethiopia & Djibouti: Summary of overall Project cost estimates in both USD and UA

Combined Project Costs: Ethiopia - Djibouti Transport Corridor Project		Costs of Project					
		UA (Millions)			US (Millions)		
		FC	LC	Total	FC	LC	Total
Base Cost		109.82	41.80	151.62	152.74	58.14	210.88
Contingencies		21.74	8.24	29.98	30.24	11.46	41.70
Project Cost (Exclusive of VAT)		131.56	50.04	181.60	182.97	69.60	252.57
VAT (15% of Project Cost)		-	27.24	27.24	-	37.89	37.89
Project Costs (Inclusive of VAT)		131.56	77.28	208.84	182.97	107.48	290.46

Table 2.4: Cost of each Project Category in both USD and UA (Exclusive of VAT)

Project Category	Costs of Project					
	UA (Millions)			US (Millions)		
	FC	LC	Total	FC	LC	Total
Works	105.32	26.33	131.65	146.48	36.62	183.10
Services	4.50	2.54	7.04	6.26	3.54	9.80
Compensation and resettlement	-	12.93	12.93	-	17.98	17.98
Base Cost	109.82	41.80	151.62	152.74	58.14	210.88
Contingencies	21.74	8.24	29.98	30.24	11.46	41.70
Project Cost (Exclusive of VAT)	131.56	50.04	181.60	182.97	69.60	252.57

Table 2.5: Expenditure schedule by component [amounts in million UA equivalents]

Project Components		Annual Expenditure, UA Millions							Total
		2019	2020	2021	2022	2023	2024	2025	
i	Civil Works	-	26.33	26.33	26.33	26.33	23.70	2.63	131.65
ii	Supervision consultancy services	-	0.65	0.65	0.65	0.65	0.58	0.06	3.24
iii	Road Safety Audit & Sensitization of PAPs	-	0.05	0.05	0.05	0.05	0.05	0.01	0.25
iv	Audit consultancy services (Ethiopia)	-	0.02	0.02	0.02	0.02	0.02	0.00	0.10
v	Compensation and Resettlement	-	4.31	4.31	4.31	-	-	-	12.93
vi	Policy, Strategy & Reforms of the sector	0.15	0.60	0.60	0.15	-	-	-	1.50
vii	TA, training & capacity building	0.08	0.32	0.32	0.08	-	-	-	0.80
viii	FS & DD OSBP at Gaulile	0.03	0.21	0.06	-	-	-	-	0.30
ix	PIU	0.08	0.32	0.32	0.08	-	-	-	0.80
x	Audit consultancy services	-	0.03	0.03	-	-	-	-	0.05
	Base Cost	0.34	32.83	32.68	31.67	27.05	24.34	2.70	151.62

Table 2.6: Sources of financing [amounts in million UA equivalents]

Source of Funds Ethiopia - Djibouti Transport Corridor Project Phase I	Resources						Per centage of FC
	UA (Millions)			US (Millions)			
	FC	LC	Total	FC	LC	Total	
ADF Grant to Ethiopia	69.64	-	69.64	96.86	-	96.86	33%
ADF Grant to Djibouti	2.46	1.34	3.80	3.42	1.87	5.29	2%
Total External Funds	72.10	1.34	73.44	100.27	1.87	102.14	35%
Government of Ethiopia Counterpart Funds	59.46	48.70	108.16	82.70	67.73	150.43	52%
Total Excl VAT	131.56	50.04	181.60	182.97	69.60	252.57	87%
Government of Ethiopia (VAT)	-	26.67	26.67	-	37.09	37.09	13%
Government of Djibouti (VAT)	-	0.57	0.57	-	0.79	0.79	0.3%
Total	131.56	77.28	208.84	182.97	107.48	290.46	100%

Table 2.7: Resource allocation in categories and split in currencies

Utilization of Banks Grant Resources (Figs incl. Contingencies) UA Million						
Categories	Ethiopia			Djibouti		
	FC	LC	Total	FC	LC	Total
Works	66.40	-	66.40	-	-	-
Goods	-	-	-	0.17	-	0.17
Services	2.27	0.97	3.24	2.29	1.01	3.31
Operating cost	-	-	-	-	0.33	0.33
Total	68.67	0.97	69.64	2.46	1.34	3.80

2.5. Project's target area and population

2.5.1 The proposed project in Ethiopia is located in the central eastern part of the country, along the existing Addis Ababa – Djibouti international road corridor. The project road traverses rural areas and starts at outskirts of Adama Town (90km southeast of Addis Ababa) and ends at Melka Jilo (10,000 pop), the only major settlement. It traverses 3 districts, 12 Kebeles of Oromia, and Amhara Regional States and in total influences about 500,000 people, with women constituting 51% of population. The main occupation and source of livelihood is smallholder farming consisting of mixed crop and livestock production.

2.5.2 Direct project beneficiaries include import / export transport business people in both Ethiopia and Djibouti and the general economy. Ethiopia will benefit from reduced prices as a result of efficient and cheaper transport. Djibouti will benefit from increased port business, increased government revenues and creation of jobs for the youth at the ports. Farmers, traders, truck drivers and travelers will have an improved road connection to several economic centers along the route and eventually the Djibouti port. Ethiopian consumers and exporters will benefit from reduced consumer price and transaction cost respectively. Investments in the area, including Hawassa industrial park and Wonji- Metahara sugar factory, will benefit from an improved road connection to larger national market. The project community will benefit indirectly from improved environment, economy, health and lifestyle.

2.5.3 In Djibouti, the capacity building and sector policy/reforms will benefit the whole country (pop. 1 million) as the transport sector gets better managed and coordinated, increasing its competitiveness. Direct beneficiaries of the project will include public sector managers of transport sector who will receive training as well as actionable policies and strategies on how to implement them. Their capacity to regulate the sector will be enhanced.

2.6. Participatory process (project identification, design and implementation)

2.6.1 In Ethiopia, several rounds of public stakeholder consultations were conducted with the administrations, communities and PAPs during the design process and the development of the ESIA and RAP. The project appraisal also involved extensive community consultations with administrators, PAPs (women and men), representatives of women and youth associations, religious and community leaders, civil society and business community.

2.6.2 Some PAPs were concerned about loss of landholdings, properties and livelihood, access to the expressway, timely and adequate compensation payments, environment protection measures, and need to enhance employment opportunities for locals. All these concerns were addressed in the design of the project. For example, there are 29 under/over passes providing safe passage across the expressway (Annex B). Stakeholder involvement will continue during the implementation of the ESMP and RAP.

2.6.3 In Djibouti, the Bank held extensive consultation for over a year with public officials in the ministries of finance, transport, environment and social sectors, youths and women affairs. Others were officials at the DPCR, ADR, DPFZA, IGAD, JICA and World Bank. The Bank consulted truck drivers, officials manning the border points, travelers, business people, contractors, and others. The information gathered was used in designing the project. The feedback included the difficulties importers encounter due to poor systems and infrastructure and the lack of technical capacity in transport sector. Consultations will continue during the implementation of the project.

2.7. Bank Group experience, lessons reflected in project design

2.7.1 Bank Activities: Since 1977, the Bank has invested over USD 1.1 billion (UA 800 m) in Ethiopia transport sector. As at 31 May 2018, the current portfolio is worth UA 300 million for the construction of 700 km of paved road of which 300km are completed. In the past 10 years, the Bank invested USD 90 million in Djibouti ports bulk terminal and Doraleh Container Terminal. Both projects are completed. Currently, the Bank has no transport project in Djibouti.

2.7.2 Performance of Bank projects: The Ethiopian portfolio as well as road sector performance is satisfactory. The latest general portfolio rating is satisfactory at 3.1. The latest supervision IP rating for the ongoing transport projects range from 3 to 3.1. The 300km multinational Mombasa-Nairobi-Addis Ababa road corridor phase II and 112 km Bedele – Metu road project were substantially completed in 2017/18 and the PCRs for the former conducted in 2018. Phase III of the 200 km Mombasa – Nairobi - Addis Ababa road project and Phase I of Modjo – Hawassa Highway project (a 200km 4-lane expressway co-financed with Korea Exim Bank, World Bank and China Exim Bank) are ongoing. The new 240 km EITP road upgrading project started construction in late 2018. The overall Djibouti portfolio performance is rated moderate at 2.8. Djibouti does not have any transport projects.

2.7.3 The Impacts: The transport projects have had positive impacts. The 500km Mombasa – Nairobi - Addis Ababa road project has reduced travel times from Moyale to Hawassa from 2-3 days to 1 day. The Moyale OSBP completed in 2018 has seen a doubling of trade between Kenya and Ethiopia. Doraleh, the first modern port in Djibouti, led to the development of four other ports and investments in airports, free zone, thus unleashing Djibouti’s potential as a transport hub. Since its completion in 2009, the port’s throughput increased by 36.5% p.a from 404,500 TEUs in 2010 to an average of 832,000 TEUs in 2017. It created 620 permanent jobs and promoted local businesses through locally procured contracts.

2.7.4 Specific lessons learnt from ongoing projects will be deployed in this project. These include: (a) sector capacity building in Djibouti should be flexible to cater for the changing requirements of staff (b) advance implementation of RAP coupled with intense consultation with PAPs (as in Modjo – Hawassa Project) minimizes disruption to project implementation. (c) experience on how to implement Modjo – Hawassa design & Build project and from coordination of Ethiopia / Kenya OSBP project will be applied in this project.

2.8. Key performance indicators

2.8.1 The results-based log frame indicate the key performance indicators that will be used to measure the outputs and outcomes. For Ethiopia, these include increased traffic travelling at higher speeds, reduced vehicle operating costs and fewer road accidents. These indicators are part of an elaborate system developed by the government to measure the performance of the road sub-sector, and their contribution to achieving SDGs as captured in the GTP II.

2.8.2 For Djibouti, the indicators include increased sector knowledge, better policy and improved management. The ongoing performance evaluation efforts by the Bank and the World Bank, which are analysing the impact of road transport investments on wealth creation and poverty alleviation in five corridors in Ethiopia will be expanded to cover Djibouti corridor.

III – PROJECT FEASIBILITY

3.1. Economic and financial performance

3.1.1 Methodology: Economic analysis was undertaken on the basis of a cost benefit analysis for “with” and “without” project scenarios using the HDM-4 model version 2.10. The analysis period covered a construction period of 4 years from January 2020, and a 20-year life of the expressway from January 2024 to 2043. The measures of project worth used are the economic Internal Rate of Return (EIRR) and the Net Present Value (NPV) at 12% discount rate, equivalent to the prevailing opportunity cost of capital in Ethiopia at appraisal.

3.1.2 Costs and Benefits: The road agency economic costs considered include capital investment costs, routine and periodic maintenance. Financial capital and maintenance costs were converted into economic costs by applying a conversion factor of 0.85. The economic costs of constructing the 126.4 km 4-lane expressway is USD 428.15 million and the cost per km is USD 3.39 million. The expected benefits consist of savings in (i) vehicle operating costs (VOC), and (ii) motorized traffic travel time for passengers and cargo. The savings will be realized due to lower road roughness, reduced congestion and higher average travel speeds. Residual project value of 15% of the initial capital investment was assumed and credited as project benefit in the final year of evaluation.

3.1.3 Traffic: The road had a weighted AADT of 2,936 vehicles in May 2018, which is projected to increase to 3,718 vehicles in 2024 when the expressway will be open to traffic.

3.1.4 Results: The annual weighted average VOCs for all vehicle types is expected to decrease by 20 % from USD 0.62 to USD 0.50 per veh-km, while travel times on the 60km stretch will decrease by 61% from 1.41 hours to 0.56 hours. Summary of the economic analysis results are presented in Table 3.1. Construction and maintenance costs of the project have to increase by 110.4% or the benefits reduce by 48.2% before the project becomes unviable. Detailed traffic data and economic analysis results are presented in Annex B. The project is therefore feasible even in unlikely event of decrease in traffic or increased construction costs.

Table 3.1: Summary of Economic Evaluation Results

Parameter	Value
Economic Internal Rate of Return (EIRR) %	23.3%
Net Present Value (ENPV)	USD 260.23 m
Sensitivity of EIRR of concurrently 20% increase in cost and 20% decrease in benefits	17.5%
Sensitivity of ENPV of concurrently 20% increase in cost and 20% decrease in benefits	USD 113.89 m

3.2. Environmental and Social impacts

Environment

3.2.1 Categorization of ESIA: The proposed project in Ethiopia is Category 1 based on the potential significant direct and indirect environmental and social impacts, including the physical and economic displacement of some 887 households (3300 people) and the temporary and permanent acquisition of about 593 hectares of land. Thus, a full environmental and social assessment was undertaken and RAP prepared. The ESIA and RAP summaries were posted on January 29, 2019.

3.2.2 Positive environmental impacts anticipated include a reduction of traffic generated gaseous emissions due to lower traffic congestion and shorter travel distances. The dust emission and noise pollution that affects roadside communities will be reduced. The project will contribute to improved local land management and soil conservation efforts through gully prevention and management interventions.

3.2.3 There are no physical activities under this project **in Djibouti**. The TA and capacity building component will strengthen the Environment and Sustainable Development Department to discharge its regulatory, quality assurance and technical support function. Transport sector specific ESIA guidelines/tools and safeguard compliance reporting format will be developed. This will enhance the capacity and compliance level of the transport sector.

3.2.4 Negative Environmental Impacts: About 5 million cubic meters of construction material is required for the road construction, the extraction of which could result in loss of topsoil, severe erosion and changes to the local natural landscape. The project location has gullies and the area is highly susceptible to erosion that may be exacerbated by construction activities. Some areas are prone to landslides that could be triggered by construction works.

3.2.5. There could be modification of the natural flow of surface water and drainage in many parts of the project areas causing flood over farmlands on northern side of the road while cutting it off from the farms and artificial ponds on the south side of the road.

Mitigation Measures on Negative Environmental Impacts:

3.2.6 The expressway passes through a mostly flat terrain and thereby minimizing earthworks. This has reduced the threat of sliding and slope erosion. The engineering design and ESMP incorporated biological and mechanical measures to treat gullies adjacent to the road that are prone to erosion. In co-ordination with local water shade development initiatives, social and water-conservation interventions will be undertaken, in the upper catchment areas to intercept surface runoff reaching the road and prevent gulley formation.

3.2.7 The flood prone sites were identified. The design provides adequate drainage structures to manage unusual flows and minimize impact on farms. In order to minimize the impact of the project on the water resources of the local community, water wells have been included within the project design for the affected communities. A total budget of USD 440,000 will be required for the implementation of the mitigation measures and complementary initiatives, which are covered in the works contract.

Climate Change:

3.2.8 The Ethiopia section of the project was screened and categorized as Category 2 on the Climate Safeguards System (CSS). The design provides climate adaptation and mitigation measures (adequate roadside and cross drainage systems) because the area is susceptible to climate change risks including extreme and unpredictable rainfall, increased surface run-off, soil erosion, gully formation. The ESMP requires off-road management of runoff, in liaison with the local environment protection units, in the up-stream catchments. The 120 km shorter route that heavy vehicles will travel in the new southern corridor will reduce carbon emissions.

3.2.9 The climate change response capacity building initiative being implemented under an on-going Bank supported project is expected to enhance the capacity of ERA to integrate climate resilience practices in its system.

Gender

3.2.10 On the Ethiopian side, the Gender Marker System (GMS) has categorized the project as Category III. The RAP and ESIA reflect fully gender disaggregated data. About 12% of the affected households are female-headed and out of the total population affected 49% are female.

3.2.11 Among the 494 family members of the 123 households to be physically displaced through loss of housing units, 52.8% of them are male while 47.2% of them are female. As well, 105 women headed households will also lose 5 -25 percent of their farmland.

3.2.12 Some of the expected negative impacts of the project in Ethiopia on gender relates to women's increased vulnerability to HIV/AIDS due to the influx of unaccompanied men during construction and the disproportionate impact of displacement affecting livelihood, particularly female heads of households (FHHs).

3.2.13 The mitigation measures include: a) provision of special support to FHHs in the compensation and livelihood restoration including training, b) implementation of HIV/AIDS/STI prevention and awareness activities among staff and communities, c) implementation of a gender sensitization and monitoring activity addressing prioritized work place (including access to employment opportunities) and community level gender issues, d) provision of adequate accommodation including separate ablution facilities for female and male workers at the camp and work sites.

3.2.14 As part of the positive impact enhancement strategy, the project will encourage contractors to fill at least 30% of semi-skilled and non-skilled jobs with women. The project will enforce 30% women representation in the RAP Committees and the use of joint husband-wife accounts for all compensation payments.

3.2.15 The project will construct 6 water wells (targeting affected districts) that will be fitted with hand pumps, distribution facilities, reservoir and cattle troughs. Considering the level of water scarcity in the area (water supply coverage ranges from 48% to 53 %.) it is expected that this will lessen the water collection burden on women and girls.

3.2.16 The project baseline and impact surveys as well as the routine progress reports will address gender issues.

3.2.17 Djibouti: the skills development intervention of the project will target all the professional female staff of the benefitting units/institutions. The TA component will address the need, and capacity for the generation and use of gender disaggregated data in the design of road projects, particularly the preparation of ESIA and RAP.

3.2.18 Positive social impacts include jobs during project implementation and more trade and connectivity during operations. These impacts will lead to wealth creation and better living standards. The construction phase will create around 1000 jobs per month, with a target of 30% going to women. Over 95% of these jobs opportunities and skills development benefit youth. The planned baseline and impact assessment at the commencement and end of the project will assess how the project has contributed to skills building, diversification of employment and indirect job creation.

3.2.19 Negative social impacts: The project land-take will disrupt livelihoods of PAPs. The project will lead to road safety challenges and increased incidence of HIV/STI. The ESMP and the RAP will be implemented to offset these impacts. Measures include fencing off the expressway, and provision of adequate bridges and tunnels for crossing the expressway. The

project will work with PAPs, including truckers to address road safety/health skill issues. The HIV/AIDS incidence rate in the project area ranges from 1.33% in Adama to 0.5 in Minjar Shenkora district. The HIV/AIDS/STI awareness and gender sensitization programs will work towards the stabilization and lowering of AIDS incidence rate in the area targeting project staff and the local community, especially women and girls. There are no ethnic minorities in and around the project area whose traditional life style could be compromised through the development of the proposed project.

3.2.20 Involuntary resettlement: The RoW for the expressway will take agricultural and settled land resulting in physical and economic displacements of 887 households (3300 people) and utilities, affecting a total of 593 hectares of land. This land to be affected permanently is owned by 782 households mostly engaged in production of cereal crops. Among these 34% may lose 5 % - 10% of their farmland, while 34% are expected to lose 10-25%. It is expected that no household will be dispossessed from their farmland wholly. A total of 113 (13%) vulnerable households (headed by females, elderly and underage youth) have been identified in consultation with the communities for special relocation support. The houses of 123 households involving 494 people will be impacted. Physical displacement will be minimal because many of the houses will be reconstructed within the existing plots. A full government funded RAP (estimated at USD 18 million) has been prepared and includes livelihood restoration and support to vulnerable households, and monitoring.

3.3 Regional Integration and Trade Facilitation

3.3.1 The project is part of PIDA and will boost regional integration, connecting land-locked Ethiopia to global markets via Djibouti ports and providing access to regional markets such as Uganda and South Sudan through the Kampala-Djibouti corridor. Southwards, the corridor links Mombasa-Addis Ababa corridor connecting Ethiopia and Kenya. The project will support the Djibouti Government's strategy to boost transport and logistics in order to harness the country's strategic positioning as a transport hub at the cross-roads of key trade routes between Asia and Europe and between East Africa and the Middle East. Currently, an estimated 35% of Djibouti's GDP is derived from the transport sector, with Ethiopia accounting for 80% of truck traffic at the ports. The project compliments the Bank's past interventions at port development aimed at enhancing Djibouti as a hub port (Annex B), as well as the Djibouti- Ethiopia railway by enhancing multi-modal linkages.

3.4. Road Safety

3.4.1. The transport corridor has high accident rate. Therefore project provides for multisector road safety interventions along the corridor, including road safety audit and sensitization. Safety audit will be carried out at preliminary design, detailed design, pre-opening and post-opening stages of the project road. PAPs will be sensitized on safe use of road during construction and operation. The road safety audit and sensitization will form basis for a corridor-wide road intervention aimed at enhancing enforcement of road safety throughout the corridor.

IV – IMPLEMENTATION

4.1. Implementation arrangements

Project oversight

4.1.1 The Ethiopian Roads Authority (ERA) will be EA for the Ethiopia components. ERA is an autonomous government agency responsible for the planning and implementation of all federal road projects. ERA has a long history of successful implementation of donor funded road projects and is capable of executing this project including ESMP/RAP. The Director of the Expressways and Special Projects will be in charge of the project. The contractor will implement the ESMP while ERA's RoW department will implement the RAP (Annex B).

4.1.2 ERA has 280 engineers regulating, supervising and directing the road sub sector, and additional support staff in human resources and finance. Recognizing the need to continuously upgrade the capacity of ERA staff, this project will benefit from capacity building component through Modjo – Hawassa Highway Project funded by the Bank in which staff receive on-job short-term training and exchange knowledge by visiting successful peer organisations.

4.1.3 The EA for Djibouti components will be a full-fledged independent Project Implementation Unit (PIU) embedded within the DoT in the MoET. The PIU will undertake the day-to-day management of the project and will report to the Director, DoT. In implementing the TA and capacity building, the PIU will work closely with the ministry in charge of finance, ADR and ministry in charge of environment and social safeguards, who are beneficiaries of the capacity building efforts. In designing the OSBP, road sections, policy, sector reforms and institutional arrangement, the PIU will work closely with all actors in transport sector including DPCR, DPFZA, airport, airline and railway authorities.

4.1.4 ERA will work closely with the Djibouti DoT / PIU to coordinate the project implementation and ensure a flawless OSBP design while utilizing lessons learnt during the Bank-funded design of the Galafi OSBP which was recently completed.

4.1.5 A bi-lateral Steering Committee made up of departments involved in transport and OSBP will be formed to be co-chaired by Ministers of Transport of both Ethiopia and Djibouti. IGAD may be invited to observe. ERA and PIU/DoT will provide technical support. The Committee will provide policy, leadership and coordination of the development and operation of the whole corridor. The committee will set up its own agenda. The project will set aside funds in both countries to support participants' cost of travel and lodging during steering committee meetings.

Project Organization and Readiness

4.1.6 Construction of the Ethiopian expressway will be executed by an experienced contractor under the supervision of experienced consulting engineers. Procurement has started under advanced contracting procedures as approved by the Bank. Construction will take 4½ years plus 1-year defects liability period and a 3-year warranty period, during which the contractor will maintain the road. Government has prioritized the project and availed counterpart funds.

4.1.7 Firms of qualified consultants will implement the TA for Djibouti transport sector as well as the OSBP and road section design. The PIU will consist of two experts in engineering and procurement supported by other administration staff. The ToR for the PIU services are ready for review.

Procurement Arrangements

4.1.9 A market analysis demonstrated factors that may affect competition as well as the main players in transport sector in both countries. The results made it possible to plan procurement, structure the contracts and select the best procurement methods and procedures (PMPs) as well as define the Bank's review and supervision framework. Relevant risk mitigation measures are included in Procurement Risk and Capability Assessment Action Plan (PRCAAP) (Annex B).

4.1.10 Procurement Risks and Capacity Assessment (PRCA): The assessment of procurement risks and capacity at country level in both Ethiopia and Djibouti were undertaken. Based on the results, BPS will be used for specific transactions or groups of similar transactions under the project.

4.1.11 Borrower Procurement System (BPS) for Ethiopia: Specific Procurement Methods and Procedures (PMPs) under BPS comprising its Laws and Regulations include Public Procurement and Property Administration Proclamation (September 2009) and Federal Public Procurement Directive (June 2010) and uses national Standard Solicitation Documents (SSDs) for various group of transactions to be entailed under the project.

4.1.12 BPS for Djibouti: The legislative and regulatory framework governing Djibouti's public procurement does not comply with international standards and good practices in public procurement. According to the Bank's latest review, Djibouti's national procurement procedures face high fiduciary risks. These include (i) the absence of procurement regulatory authorities (ii) weak internal control at executing agencies, (iii) lack of sufficient qualified staff at the National Commission on Public Procurement (CNMP), and (v) the absence of a strategy to strengthen the capacities of the various stakeholders in public procurement. The appropriate risks mitigation measures are included in procurement PRCA action plan (Annex B).

4.1.13 Procurement of goods (including non-consultancy services), works and the acquisition of consulting services, financed by the Bank for the project in both countries will therefore be carried out in accordance with the "*Procurement Policy and Methodology for Bank Group Funded Operations*" (BPM), dated August 2015 and following the provisions stated in the Financing Agreement.

4.1.14 Bank Procurement Policy and Methodology (BPM): Bank standard PMPs, using the relevant Bank Standard or Model Solicitation Documents SDs, for contracts that are Open Competitive Bidding (OCB) at the international level and for contracts that are either: (i) above the thresholds indicated under BPS above as detailed in Annex B or (ii) in case BPS is not relied upon for a specific transaction or group of transactions; and (iii) in case BPM have been found to be the best fit for purpose for a specific transaction or group of transactions.

4.1.15 Financial Management, Disbursement and External Audit Arrangements

i) ERA has sufficient financial management capacity, which is adequate for purposes of carrying out the FM of the project with few improvements. ERA will ensure that the cash flow position is managed and funds are utilized for the intended purpose.

ii) The overall accounting, recording and reporting of the project will be under the Director of Financial Management Directorate of ERA, which has 193 finance and support staff of which 140 have bachelor's degree. ERA has designated an acceptable Project Accountant. The project will make use of the ERA's Public financial management systems and Integrated Financial Management Information System (IFMIS).

iii) ERA has a well-functioning Internal Audit Directorate comprising of 80 staff (60 have BA degrees). In their audits it was observed that they make Technical Audit, General Audit & Investigations and Systems Audit. Flexible risk-based annual audit plans are developed using appropriate risk-based methodology for implementation throughout the year. The project will be audited by Internal Auditors at least twice a year and audit reports will be shared with the Bank when requested.

iv) The existing financial management systems at the Djibouti DoT are not satisfactory and the overall fiduciary risk is substantial due to existing weaknesses. Those weaknesses are the absence of a manual for budgeting, operations and administration, financial and accounting, and semi-annual financial statements in the semi-annual reports. There are no finance or accounting staffs. The department has no cash flow plan or financial statements and has no software for accounting. Therefore, this project is addressing these capacity gaps through TA and PIU.

v) Therefore it is recommended to establish an annual budget coupled with a calendar of activities; establish a procedures manual on administrative, financial and accounting procedures; to establish registers for management of fuel, maintenance and missions; to appoint a finance officer and an accountant; to acquire accounting software; establish a cash flow plan; to open for the special account; and provide semi-annual financial statements

vi) **Disbursements** of the grants will be made in accordance with the Bank's rules and procedures as laid out in the Disbursement Handbook. The Four disbursement methods will be used as need arises. In addition, the Bank shall issue a Disbursement Letter of which the content will be discussed and agreed during negotiations. Among the four disbursement methods of the Bank, the project will use the Direct Payment method and the Special Account. With respect to the grant to Djibouti, a special USD account will be opened to receive disbursements from the Bank and a sub-account in Djibouti Franc will be opened to cover local project operating costs.

vii) **External Audit:** At the end of each fiscal year, the EAs will prepare project annual financial statements, which will be audited by the respective Auditor Generals (AG) or his appointee, or an independent External Auditor selected competitively using the Bank's Procurement rules and procedures. The audit will be carried out in accordance with International Standards on Auditing (ISA) using the Bank's Terms of Reference (TORs) for external auditors.

viii) When the AG or its appointee does the audit, the governments will cover the Audit fee. However, if the auditor is selected competitively, the audit fee will be covered by the project funds. The audit report complete with a Management letter and management responses will be submitted to the Bank by the EAs no later than six (6) months after the end of the Fiscal Year.

4.2 Monitoring

4.2.1 In Ethiopia, supervision consultant will be responsible for the day-to-day monitoring of the progress of the construction works and implementation of ESMP. ERA will make monthly supervision visits to works to consult with the contractor and consultant. The Bank will monitor the project through regular supervision missions, including the 2-yearly Bank-organised self-performance evaluation meeting where all contractors, consultants and ERA management share experience, identify problems and possible solutions.

4.2.2 In Djibouti the PIU will monitor the progress of all consultants. The DoT and Bank will provide the second and third layers of oversight respectively. In addition, ERA and the Djibouti PIU will provide the Bank with quarterly project progress reports including the implementation

of ESMP in accordance with Bank format. At about 50% completion, the Bank will organize a midterm review and at 85% completion, conduct a Project Completion Report exercise.

Table 4.1 : Implementation Monitoring Timeframe

Timeframe	Milestone	Monitoring process / feedback loop
Q4 - 2019	Project Launching	Supervision and Progress Report
Q2 - 2020	Ethiopia: Procurement Completed	Procurement Plan/Progress Report
Q3 - 2020	Djibouti: Mid-term Review	Midterm Review & Progress Report
Q4 - 2022	Ethiopia: 50% of Civil Works completed mid-term review	Midterm Review & Progress Report
Q1– 2024	Ethiopia : Substantial completion of civil works	Supervision and Progress Report
Q4 – 2025	Ethiopia: of Defects Liability period (1 year)	Supervision and Progress Report
Q4– 2025	Project Completion	Project Completion Report
Q4 - 2029	End of Warranty Period	EA Completion Report

4.3 Governance

4.3.1 The Ethiopia transport subsector is decentralized and differentiates regulatory from oversight responsibilities. Key players are ERA, ORF, ETA, Toll Roads Enterprise (TRE) and Road Safety Council (RSC), which are all active. Ethiopia is a low risk environment. However, to ensure that the project funds are safe, the project has included specific governance risk mitigation measures such as the appointment of external and independent financial audit firm; and Bank’s prior review and approval of all procurement activities. (Annex B).

4.3.2 Key players in the Djibouti transport sector include the DoT, MoET, ADR, DPFZA and DPCR. The road subsector is not well organized and lack qualified staff. The sector has gaps in policy, organisation and capability to deliver on its mandate. This project addresses these issues.

4.4 Sustainability

4.4.1 In Ethiopia, road maintenance operations are commercialized. The Bank is supporting formulation of Road Asset Management system. In 2019, ERA was reorganised, strengthening the road asset management. ERA has invested in extensive axle load control system. The Office of the Road Fund (ORF) secures funds for road maintenance. The Bank in a joint effort with World Bank is assessing the impact of current African road funds with a view to migrating to 3rd generation road funds. In the recent past, ORF collected about ETB 2.7 billion annually. It allocates 65% to ERA, 25% to Regional Road Agencies and 10% to select municipalities. The federal road network requires average of ETB 3.8 billion annually for the maintenance. ERA receives ETB 1.5 billion annually in addition to the federal government allocation of ETB 1.5 billion, leaving a maintenance gap of ETB 0.8 billion. Measures to close this gap include increasing the fuel levy, widening private sector participation, tolling, etc. The road asset management has improved asphalt trunk road network in good condition to 90% in 2018, up from 17% in 1997.

4.4.2 With respect to the project road, the financial requirement for routine maintenance is USD 0.48 million p.a. starting 2024. The first periodic maintenance costing USD 27.47 million is due in 2037. The impact of the project maintenance costs on Government’s recurrent costs will not be significant and the Government has financial capacity to carry out all maintenance.

4.4.3 In Djibouti, the road sector is fragmented. There are, however, efforts to re-organize the sector through reforms such as creation of DPCR, redeployment of ADR and empowerment of

DoT. In 2018, Japan and Saudi Arabia approved loans totalling USD 150 million to rehabilitate 120 km of the worst sections of Galafi-Djibouti road. The subject project aims to study the overall transport sector and come up with recommendation on policy, sector reforms, and capacity building to empower ADR, DoT and DPCR to manage the road asset sustainably.

4.5 Risk management

4.5.1 **Ethiopia:** The risk of delayed implementation of RAP due to ERA’s low capacity is medium to high. In mitigation, a RoW expert has been included in the supervision consultancy.

4.5.2 Climate proofing and adaptation risks are moderate. The engineering design has provided adequate drainage facilities and raised the level of road embankment in low/flat terrains.

4.5.3 Risk that concentration of male workers in the project area will increase of HIV/AIDS/STI is high. In mitigation, an awareness sensitisation program is included in the project.

4.5.4 Risk of increased accident and fatalities is high. In mitigation, the expressway is fenced off in its length and has adequate split level crossing for human, animal and motorised traffic.

4.5.5 The sustainability risk is low to medium. In mitigation, government has in 2016 increased road fund revenues and will allocate more federal funds according to maintenance needs.

4.5.6 **Djibouti:** the risk of project delayed is high and thus project provides an independent PIU.

4.5.7 The risk of sustainability is high. In mitigation, the project capacity building and reforms efforts are aimed at ensuring that staff are trained and will sustain the sector reforms.

4.6 Knowledge building

4.6.1 This project is a product of a Bank ESW in Ethiopia transport sector. Furthermore, lessons learnt in the successful acquisition of land in Modjo – Hawassa road project has informed the deep consultation with PAPs and provision of an independent ROW expert has been made. In addition, experience gained in managing current design-&-build projects and coordination of construction of OSBP between Kenya and Ethiopia will be used in the implementation of this project. The Djibouti components will generate knowledge products that will be used in design of future interventions.

V – LEGAL INSTRUMENTS AND AUTHORITY

5.1. Legal instruments

5.1.1 The financing instruments to be used for this operation are (a) a protocol of agreement for an amount of UA 69,641,385 to be signed between the Fund and the Federal Democratic Republic of Ethiopia; and (b) a protocol of agreement for an amount of UA 3,800,000 to be signed between the Fund and the Republic of Djibouti.

5.2. Conditions associated with Bank’s intervention

A: Conditions Precedent to the Entry into Force of the Agreements: The agreements will enter into force upon signature by the respective parties.

B: Conditions Precedent to First Disbursement of the respective Grants:

The obligation of the Fund to make the first disbursement of the respective grants shall be subject to the entry into force of the respective agreements and satisfaction of the following condition by the Recipients:

- i. **Ethiopia:** The Recipient shall have procured and signed a contract with a works contractor, upon terms acceptable to the Fund, to undertake the civil works. The procurement of the works contract will be subject to prior review by the Fund;
- ii. **Djibouti:** Submission of evidence of (a) the designation of a Project Manager for the Project Implementation Unit (PIU); and (b) recruitment of an administrative and financial manager, with qualifications and terms of reference acceptable to the Fund.

C. Condition Precedent to Disbursements for Works Involving Resettlement (Ethiopia Component). Subject to the provisions of Sections 5.2. (A) and (B) above, the obligation of the Fund to disburse the Grants for works that involve resettlement shall be subject to the fulfillment by the Recipients of the following additional conditions:

(a) Submission of a works and compensation schedule prepared in accordance with the Resettlement Action Plan (“RAP”) and the Fund’s Safeguards Policies in form and substance satisfactory to the Fund detailing: (i) each section/ lot of civil works under the Project, and (ii) the time frame for compensation and/or resettlement of all Project affected persons (“PAPs”) in respect of each section/ lot; and

(b) Submission of satisfactory evidence that all PAPs in respect civil works in a given lot/ section have been compensated and/or resettled in accordance with the Environmental and Social Management Plan (“ESMP”), the RAP and /or the agreed works and compensation schedule and the Fund’s Safeguards Policies, prior to the commencement of civil works in such lot/ section and in any case before the PAPs’ actual move and/or taking of land and related assets; or

(c) In lieu of paragraphs (a) and (b) above, submission of satisfactory evidence indicating that the resources allocated for the compensation and/or resettlement of PAPs have been deposited in a dedicated account in a bank acceptable to the Fund or remitted to a trusted third party acceptable to the Fund, where the Recipient can prove, to the satisfaction of the Fund that, compensation and /or resettlement of PAPs in accordance with paragraph (a) and (b) above could not be undertaken fully or partially, because of the following reasons: (i) the identification of the PAPs by Recipient is not feasible or possible; (ii) ongoing litigation involving the PAPs and/ or affecting the compensation and/or resettlement exercise; or (iii) any other reason beyond the control of the Recipient, as discussed and agreed with the Fund.

5.3. Compliance with Bank Policies

Subject to the waivers sought below, the project complies with the applicable Bank policies.

VI – RECOMMENDATION

Given the high risk of debt distress in both Federal Democratic Republic of Ethiopia and the Republic of Djibouti, Management recommends that the Board of Directors:

- (i) Waive the provisions of Section 2.6 of the Operational Guidelines of the ADF 14 Resource Allocation Framework, which require cancelled resources to keep their original form regardless of the risk of debt distress of the country at the time of the cancellation; and permit the conversion into grant of the cancelled loans of a total amount not exceeding the equivalent of UA 2,986,065, to be utilized by the Federal Democratic Republic of Ethiopia, to finance the Project;

(ii) Award to the Federal Democratic Republic of Ethiopia, a grant of an amount not exceeding the equivalent of UA 69,641,385, to finance the Project, which amount includes the cancelled loan resources outlined in (i) above;

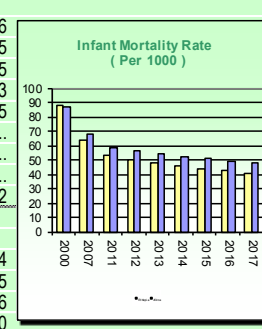
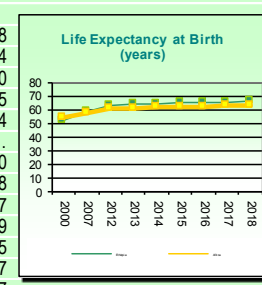
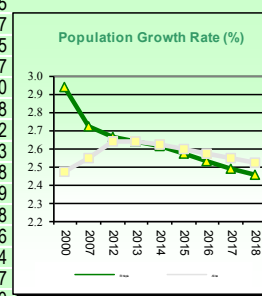
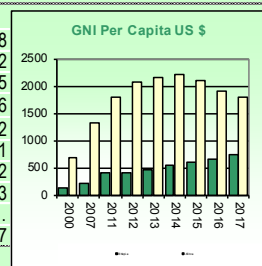
(iii) Waive the provisions of Annex II, Section II.18 of the Operational Guidelines of the ADF 14 Resource Allocation Framework which stipulate that Gap countries are not eligible to receive grants irrespective of their debt sustainability framework status; and permit the Republic of Djibouti which is currently classified as an ADF-Gap country under ADF-14 2019 Performance-Based allocation (PBA), to access grants only; and

(iv) Award to the Republic of Djibouti a grant of an amount not exceeding the equivalent of UA 3,800,000 from the ADF-14 Performance-Based Allocation (PBA) and the Regional Operations window.

Appendix I: Country's comparative socio-economic indicators

Ethiopia COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Ethiopia	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km ²)	2018	1,104	30,067	92,017	40,008
Total Population (millions)	2018	107.5	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	20.8	42.5	50.4	81.5
Population Density (per Km ²)	2018	106.9	43.8	71.9	31.6
GNI per Capita (US \$)	2017	740	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	83.1	65.9	62.1	60.1
Labor Force Participation ** - Female (%)	2018	77.2	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	99.7	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	173
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	26.7	...	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	2.5	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	4.7	3.6	2.3	0.7
Population < 15 years (%)	2018	40.0	40.6	27.5	16.5
Population 15-24 years (%)	2018	21.8	19.2	16.3	11.7
Population >= 65 years (%)	2018	3.5	3.5	7.2	18.0
Dependency Ratio (%)	2018	76.3	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	24.9	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	66.3	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	68.2	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	30.7	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	6.5	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	41.0	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	58.5	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	4.0	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	353.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	42.5	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	2.2	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	23.6	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	27.7	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	57.3	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	28.0	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	0.9	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	177.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	85.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	65.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	23.6	17.5	15.0	0.9
Prevalence of stunting	2010-2016	38.4	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	21.4	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	2.9	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	101.9	99.5	102.8	102.6
Primary School - Female	2010-2017	97.0	97.4	102.0	102.5
Secondary School - Total	2010-2017	35.1	51.9	59.5	108.5
Secondary School - Female	2010-2017	34.4	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	37.2	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	...	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	...	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	...	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	4.5	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	15.1	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	36.3	38.2	37.8	36.5
Forest (As % of Land Area)	2016	12.5	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	0.1	1.1	3.5	11.0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

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UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

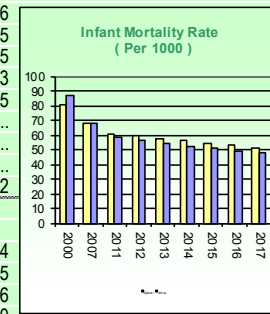
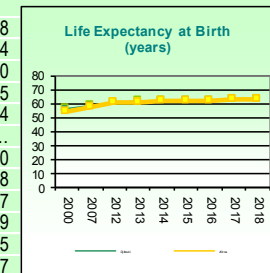
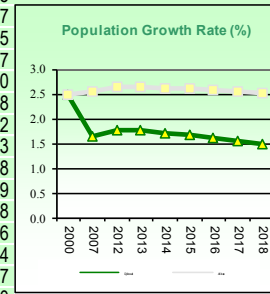
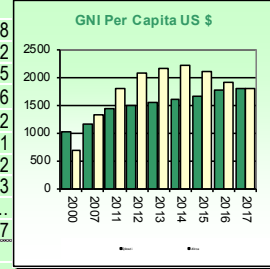
Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Djibouti

COMPARATIVE SOCIO-ECONOMIC INDICATORS

	Year	Djibouti	Africa	Developing Countries	Developed Countries
Basic Indicators					
Area ('000 Km²)	2018	23	30,067	92,017	40,008
Total Population (millions)	2018	1.0	1,286.2	6,432.7	1,197.2
Urban Population (% of Total)	2018	77.8	42.5	50.4	81.5
Population Density (per Km²)	2018	39.8	43.8	71.9	31.6
GNI per Capita (US \$)	2017	1 880	1 767	4 456	40 142
Labor Force Participation *- Total (%)	2018	52.6	65.9	62.1	60.1
Labor Force Participation **- Female (%)	2018	36.7	55.5	47.6	52.2
Sex Ratio (per 100 female)	2018	100.7	99.8	102.3	99.3
Human Develop. Index (Rank among 189 countries)	2017	172
Popul. Living Below \$ 1.90 a Day (% of Population)	2007-2017	22.5	...	11.9	0.7
Demographic Indicators					
Population Growth Rate - Total (%)	2018	1.5	2.5	1.2	0.5
Population Growth Rate - Urban (%)	2018	1.7	3.6	2.3	0.7
Population < 15 years (%)	2018	30.6	40.6	27.5	16.5
Population 15-24 years (%)	2018	19.9	19.2	16.3	11.7
Population >= 65 years (%)	2018	4.3	3.5	7.2	18.0
Dependency Ratio (%)	2018	56.8	79.2	53.2	52.8
Female Population 15-49 years (% of total population)	2018	27.6	24.1	25.4	22.2
Life Expectancy at Birth - Total (years)	2018	62.8	63.1	67.1	81.3
Life Expectancy at Birth - Female (years)	2018	64.6	64.9	69.2	83.8
Crude Birth Rate (per 1,000)	2018	22.3	33.4	26.4	10.9
Crude Death Rate (per 1,000)	2018	8.4	8.3	7.7	8.8
Infant Mortality Rate (per 1,000)	2017	51.5	47.7	32.0	4.6
Child Mortality Rate (per 1,000)	2017	61.7	68.6	42.8	5.4
Total Fertility Rate (per woman)	2018	2.7	4.4	3.5	1.7
Maternal Mortality Rate (per 100,000)	2015	229.0	444.1	237.0	10.0
Women Using Contraception (%)	2018	28.5	38.3	61.8	...
Health & Nutrition Indicators					
Physicians (per 100,000 people)	2010-2016	22.9	33.6	117.8	300.8
Nurses and midwives (per 100,000 people)	2010-2016	55.7	123.3	232.6	868.4
Births attended by Trained Health Personnel (%)	2010-2017	87.4	61.7	78.3	99.0
Access to Safe Water (% of Population)	2015	90.0	71.6	89.4	99.5
Access to Sanitation (% of Population)	2015	47.4	39.4	61.5	99.4
Percent. of Adults (aged 15-49) Living with HIV/AIDS	2017	1.3	3.4	1.1	...
Incidence of Tuberculosis (per 100,000)	2016	335.0	221.7	163.0	12.0
Child Immunization Against Tuberculosis (%)	2017	90.0	82.1	84.9	95.8
Child Immunization Against Measles (%)	2017	75.0	74.4	84.0	93.7
Underweight Children (% of children under 5 years)	2010-2016	29.8	17.5	15.0	0.9
Prevalence of stunting	2010-2016	33.5	34.0	24.6	2.5
Prevalence of undernourishment (% of pop.)	2016	19.7	18.5	12.4	2.7
Public Expenditure on Health (as % of GDP)	2014	6.8	2.6	3.0	7.7
Education Indicators					
Gross Enrolment Ratio (%)					
Primary School - Total	2010-2017	63.9	99.5	102.8	102.6
Primary School - Female	2010-2017	60.2	97.4	102.0	102.5
Secondary School - Total	2010-2017	44.1	51.9	59.5	108.5
Secondary School - Female	2010-2017	40.1	49.5	57.9	108.3
Primary School Female Teaching Staff (% of Total)	2010-2017	26.4	48.7	53.0	81.5
Adult literacy Rate - Total (%)	2010-2017	...	65.5	73.1	...
Adult literacy Rate - Male (%)	2010-2017	...	77.0	79.1	...
Adult literacy Rate - Female (%)	2010-2017	...	62.6	67.2	...
Percentage of GDP Spent on Education	2010-2015	4.5	4.9	4.1	5.2
Environmental Indicators					
Land Use (Arable Land as % of Total Land Area)	2016	0.1	8.0	11.3	10.4
Agricultural Land (as % of land area)	2016	73.4	38.2	37.8	36.5
Forest (As % of Land Area)	2016	0.2	22.0	32.6	27.6
Per Capita CO2 Emissions (metric tons)	2014	0.8	1.1	3.5	11.0



Sources : AfDB Statistics Department Databases; World Bank: World Development Indicators;

last update : February 2019

UNAIDS; UNSD; WHO, UNICEF, UNDP; Country Reports.

Note : n.a. : Not Applicable ; ... : Data Not Available. * Labor force participation rate, total (% of total population ages 15+)

** Labor force participation rate, female (% of female population ages 15+)

Appendix II a: Table of ADB's portfolio in the Ethiopia (31 May 2019)

No	Project	Loan/Grant		Disbursement Ratio	IP	DO	PFI Status	Age Years	Closing Date
		Approval Date	Amount (UA)						
PUBLIC SECTOR OPERATIONS									
AGRICULTURE SECTOR			69,482,000						
1	Drought Resilience and Sustainable Livelihoods I	19-Dec-12	30,000,000	50.21%	3	3	NON-PP/NON PPP	6.3	31-Dec-21
2	Drought Resilience and Sustainable Livelihoods II	26-Nov-14	28,482,000	32.27%	2.78	3	NON-PP/NON PPP	4.4	31-Dec-20
3	Integrated Agro Industrial Parks Support Project	6-Dec-18	11,000,000	0.00%	NR	NR	NON-PP/NON PPP	0.4	31-Dec-23
TRANSPORT SECTOR			299,027,699						
4	Mombasa-Nairobi- Addis Road Corridor-Hawassa-Agere Mariam Road Project (Phase III)	30-Nov-11	105,000,000	78.59%	3	3	NON-PP/NON PPP	7.4	31-Dec-19
5	Bedele-Metu Road Upgrading	10-Nov-11	41,060,000	84.42%	3	3	NON-PP/NON PPP	12.4	30-Dec-19
6	Modjo- Hawassa Highway Road Project Phase I	6-Nov-13	84,080,000	61.20%	3.2	3	NON-PP/NON PPP	5.5	31-Dec-20
	Modjo- Hawassa Highway Road Project Phase I*	6-Nov-13	1,630,000	35.48%	3.2	3	NON-PP/NON PPP	5.4	31-Dec-20
7	Ethiopia Integrated Transport Program Phase I*	7-Dec-16	41,667,836	14.05%	3	3	NON-PP/NON PPP	2.4	31-Dec-23
	Ethiopia Integrated Transport Program Phase I	7-Dec-16	25,589,863	15.31%	3	3	NON-PP/NON PPP	2.4	31-Dec-23
ENERGY SECTOR			296,040,000						
8	Ethiopia-Kenya Electricity Highway Project	19-Sep-12	150,000,000	54.64%	4	3	NON-PP/NON PPP	6.6	31-Dec-20
9	Mekelle-Dallof & Semera-Afdera Power Transmission Project	14-Jul-16	73,810,000	10.46%	3	3	NON-PP/NON PPP	2.8	31-Dec-20
10	Addis Ababa Transmission & Distribution System Rehabilitation and Upgrading Project	22-Nov-17	61,410,000	0.19%	3	3	NON-PP/NON PPP	1.4	31-Dec-23
	Addis Ababa Transmission & Distribution System Rehabilitation and Upgrading Project*	22-Nov-17	10,820,000	1.64%	3	3	NON-PP/NON PPP	1.4	31-Dec-23
WATER SECTOR			124,942,049						
11	Support to the One Water Sanitation and Hygiene National Program	8-Sep-14	60,000,000	90.44%	4	4	NON-PP/NON PPP	4.7	30-Jun-19
	Support to the One Water Sanitation and Hygiene National Program*	8-Sep-14	6,810,000	57.36%	4	4	NON-PP/NON PPP	4.7	30-Jun-19
	Additional Financing to the One Water Sanitation and Hygiene National Program	30-Mar-17	2,280,000	100%	4	4	NON-PP/NON PPP	2.1	30-Jun-19
	Additional Financing to the One Water Sanitation and Hygiene National Program*	30-Mar-17	1,840,000	100%	4	4	NON-PP/NON PPP	2.1	30-Jun-19
12	Four Towns Water and Sanitation Improvement Program	13-Jan-16	54,012,049	2.42%	3	3	NON-PP/NON PPP	3.3	31-Dec-21
MULTI - SECTOR			269,833,000						
13	Basic Services Transformation Program	17-Dec-15	180,000,000	100%	3	4	NON-PP/NON PPP	3.3	31-Dec-18
	Basic Services Transformation Program Supplementary Financing	14-Nov-18	88,660,000	0%	NR	NR	NON-PP/NON PPP	0.4	31-Jul-20
14	Institutional Support project for PPPs	26-May-15	1,173,000	52.01%	3	3	NON-PP/NON PPP	3.9	30-Nov-19
PUBLIC SECTOR TOTAL			1,059,324,748						
PRIVATE SECTOR OPERATIONS									
15	Ethiopian Airlines	14-Dec-16	91,071,429	100%	3	3	NON-PP/NON PPP	2.4	31-Dec-17
PRIVATE SECTOR TOTAL			91,071,429						
TOTAL INVESTMENT OPERATIONS			1,150,396,177						
TRUST FUNDS									
16	Marketing and Service Chain Support for Total Sanitation in Arba Minch	11-Jun-15	973,536	58.93%	3	3	NON-PP/NON PPP	3.9	30-Sep-20
17	Strengthening National Evaluation Systems in Africa Initiative	1-Jan-18	178,571		NR	NR	NON-PP/NON PPP	1.3	31-May-19
18	Technical Assistance for Customs Reforms and Modernization to Africa's Eight Landlocked Countries (KOAPEC Trust Fund) ¹	31-May-18	434,971		NR	NR	NON-PP/NON PPP	0.9	31-May-19
19	Technical Assistance to Logistics Reform	15-Oct-18	71,429		NR	NR	NON-PP/NON PPP	0.5	15-Oct-20
20	Ethiopia-Eritrea Trade Transport Corridor Diagnostic Study ²	15-Nov-18	249,000		NR	NR	NON-PP/NON PPP	0.4	30-Nov-20
21	Preparation of Strategic Plan for Agricultural and Rural Statistics of Ethiopia (SPARS ETH)	1-Jun-18	43,571		NR	NR	NON-PP/NON PPP	0.9	
22	Organic and Fair Trade Red Pepper & Tropical Spices	30-Nov-17	139,286		NR	NR	NON-PP/NON PPP	1.4	
23	Premium Coffee cultivation & processing	30-Nov-17	107,143		NR	NR	NON-PP/NON PPP	1.4	
TOTAL TRUST FUNDS			2,197,507						
TOTAL PORTFOLIO			1,152,593,684						
*Grant component		USD	1,613,631,158		3.1	3.1		4.7	
¹ The project targets eight landlocked countries in Africa including Ethiopia. The budget is not specific to Ethiopia but is shared among the eight countries. ² The project is jointly co-financed by the AfDB and the European Union.									

Appendix II b: Table of ADB's portfolio in the Djibouti (31 May 2019)

No	Project	Loan/Grant		Disbursement	I P	D O	PAR	Age	Closing Date
		Approval Date	Amount (MUA)	Ratio				Years.	
PUBLIC SECTOR OPERATIONS									
AGRICULTURE SECTOR			26.84						
1	Djibouti Drought Resilience and Sustainable Livelihoods Program	ADF-GRANT 19-Dec-12	10.70	90.49 %			NON PP/NON PPP	6.3	30-Sept-19
2	MULTINATIONAL-DROUGHT RESILIENCE AND SUSTAINABLE LIVELIHOOD	ADF-LOAN 17-Jun-15	11.50	8.45%			PP	3.8	31-Dec-20
3	DJIBOUTI-GEF RURAL LIVELIHOODS ADAPTATION TO CLIMATE CHANGE	FEM 15-Dec-16	3.92	0.91%			NON PP/NON PPP	2.3	31-Dec-20
4	Aide d'urgence pour la réhabilitation des infrastructures scolaires endommagées par le Cyclone Sagar	SRF-GRANT 18-Oct-18	0.72	100%			NON PP/NON PPP	0.5	30-Jun-19
SOCIAL SECTOR			7.50						
5	PROJET D'APPUI A LA REALISATION DES INFRASTRUCTURES SOCIO-ECONOMIQUES ET A LA PROMOTION DES ACTIVITES ECONOMIQUES DANS LES REGIONS	ADF 10-Jul-15	7,50	16.72 %			NON PP/NON PPP	3.8	31-Dec-20
ENERGY SECTOR			14.54						
6	GEOTHERMAL EXPLORATION PROJECT	ADF-LOAN 28-Jun-13	0.27	94.9%			NON PP/NON PPP	5.8	30-Sept-19
7	GEOTHERMAL EXPLORATION PROJECT	ADF-GRANT 28-Jun-13	3.53	94.09 %			NON PP/NON PPP	5.8	30-Sept-19
8	GEOTHERMAL EXPLORATION PROJECT-Suppl. Financing	ADF-LOAN 02-May-18	10.74	31.72 %			NON PP/NON PPP	0.5	30-Sept-2019
WATER AND SANITATION			5.98						
9	AEPA EN MILIEU RURAL ET CENTRES SECONDAIRES DE TADJOURAH, AR	ADF-GRANT 27-Nov-12	3.50	27.74 %			PPP	6.4	31-Dec-19
10	AEPA EN MILIEU RURAL ET CENTRES SECONDAIRES DE TADJOURAH, AR	RWSSI 27-Nov-12	2.48	27.19 %			PPP	6.4	31-Dec-19
MULTI - SECTOR			6.31						
11	PROJET D'APPUI AU RENFORCEMENT DES COMPETENCES DANS LE SECTEUR DE LA SANTE	AFD-LOAN 5-Dec-16	6.00	10.8%			NON PP/NON PPP	2.3	30-Jun-22
12	PROJET D'APPUI AU RENFORCEMENT DES COMPETENCES DANS LE SECTEUR DE LA SANTE	ADF-GRANT 5-Dec-16	0.31	4.3			NON PP/NON PPP	2.3	30-Jun-22
PUBLIC SECTOR TOTAL			61.17						
PRIVATE SECTOR OPERATIONS									
PRIVATE SECTOR TOTAL									

Appendix III: Key related projects financed by the Bank and other development partners in the country

On-going & Completed Donors Financed Projects - 2019				
Contract Name	Donor	Road Length (km)	Amount	Status
African Development Bank projects				
AfDB 1260.88 511.18				
Wacha - Maji road	AfDB	175	22.71	Completed
Jima - Mizan road	AfDB	232	65.00	Completed
Mombasa-Nairobi -Addis Ababa Phase II	AfDB	303	85.00	Completed
Bedele - Metu road	AfDB	112	41.06	Completed
Mombasa - Addis Ababa Phase III	AfDB	200	105.00	On-going
Bedele – Metu Cont. 1	AfDB	61	41.06	On-going
Modjo–Hawasa Express way (Modjo – Meki)	AfDB	112.88	84.08	On-going
Ethiopia Integrated Transport Program Phase	AfDB	65	67.27	on-going
APL II				
World Bank 887 USD 372.80 m				
Assela - Dodola - Junction	World Bank	100		Completed
Dodola Junction - Goba	World Bank	130		Completed
Adiabun-Shire	World Bank	92		Completed
Nekempte - Mekenajo	World Bank	127		Completed
GobGob - Gashana	World Bank	86		Completed
Gashana - Woldia	World Bank	106		Completed
Magna - Mechara	World Bank	120		Completed
Assosa - Blue Nile - Guba	World Bank	126		Completed
APL III				
World Bank 579 235.80 million USD				
Gondar-Debank	World Bank	107		Completed
Gedo - Nekempte	World Bank	134		Completed
Aposto Irbamoda	World Bank	94		Completed
Irbamoda - Wadera	World Bank	109		Completed
Wadera - Negele	World Bank	65		Completed
Yalo - Nehile	World Bank	70		Completed
APL IV				
World Bank 395 263.30 million USD				
Mekenajo - Dembi Dolo	World Bank	181		Completed
Welkite - Hossaina	World Bank	125		Completed
Ankober - Awash Arba	World Bank	89		Completed
RSDP4				
World Bank 435 415.0 million USD				
Ambo - Weliso	World Bank	64		On-going (Terminated)
Debre Birhan - Ankober	World Bank	42		On-going
Kombolcha - Bati - Mille	World Bank	130		Completed
Mizan - Dima	World Bank	92		On-going
Konso - Yabelo	World Bank	107		On-going
Road Sector Support Project				
World Bank SDR 208,500,000				
Nekemte-Bure	World Bank	258		On-going
Expressway Development Support Project				
World Bank US 370,000,000				
Lott III Zeway – Arsi - Negelle	World Bank	57		On-going
Dembi - Bedele	BADEA	62	9.20 million USD	Completed
Metu - Gore	OPEC Fund	26	4.80 million USD	Completed
Gore - Gambella	BADEA	145	13.00 million USD	Completed
	OPEC Fund		15.00 million USD	
Azezo - Gint - Metema	BADEA	184	13.00 million USD	Completed
	OFID		15.00 million USD	
	SAUDI Fund		18.00 million USD	
Assosa - Kurmuk	BADEA	100	6.50 million USD	Completed
	SAUDI Fund		6.50 million USD	
Road Sector Development Support Program Phase II-Project	NDF	FS / DD	10.00 million EURO	
Nekempte - Bedele	Kuwait Fund	96	10 million Kuwait Dir	Completed
	BADEA		10.00 million USD	
	OFID		15.00 million USD	
Wukro - Zalambessa	Kuwait Fund	100	10 million Kuwait Dir	Completed
Dejen - Lumame	Japan	29	4,158,000,000 Yen	Completed
Gedo - Menebegna	Saudi	80.5	25.00 million USD	On-going (Terminated and restarted with new contractor)
	Abu Dhabi		10.00 million USD	
	BADEA		10.00 million USD	
Dessie - Kutaber	Kuwait Fund	67.5	10 million Kuwait Dir	Completed
Arbereketi - Gelemso (Contract 1)	Saudi	57.5	12 million USD	On-going
	OFID		20 Million USD	
Arbereketi - Gelemso (Contract 2)	BADEA	45.9	10,000,000 USD	On-going
	OFID		23,000,000 USD	
Shambu - Bako	BADEA	60.2	13,000,000 USD	On-going
	OFID		25,000,000 USD	
Dire Dawa - Dewele	China	220	USD 187,000,000.00	Substantially completed
Arsi Negele – Hawassa	China	52	USD 171,080,321.74	On-going
Lot 2: Meki – zeway section	KOREA	37	USD 82,343,823.00	On-going

Appendix IV: Justification for less than 10% Contribution by GoD

Based on the Bank’s Policy on Expenditure Eligible for the Bank Group financing, this operation is proposing government financial contribution of less than 10% of the total project cost net of taxes, justified as follows:

V.1 Country Commitment to Implement Its Overall Development Program: Strategy for Accelerated Growth and Employment Promotion (SCAPE, 2015-2019). The Government is committed to implementing the SCAPE and continues to both mobilize resources for the purpose and to strengthen the linkage between the strategy and the national budget. The Government is also committed all sectorial investment and to reducing poverty. Poverty decreased from 40.8% in 2013 to 35.8% in 2018.

V.2 Prioritization by the Country of Sectors Targeted by Bank Assistance: Government continues to prioritize infrastructure (of which transport and energy subsectors are the largest components), as it appears in Table 1

Table 1: Priority to infrastructure

Description	Indicators	
	2014	2019
Share of the national asphalted road network (%)	41	82
Rate of access to electricity (%)	53	70

V.3 Country Budget Situation and Debt Level: The current budget situation is summarized in Table 2 below. According to a debt sustainability analysis (DSA) concluded by the Government jointly with the IMF and the World Bank in December 2018, Djibouti’s debt would decline substantially over the next ten years from 104% of GDP in 2018 to 85.2% of GDP in 2024. This will happen especially when the new infrastructure investment such as the new ports, the railways that start operating in 2018 will generate income to be account for in the GDP. The debt service is 5.3% of GDP in 2018 and 2019 and projected at 7.1% of GDP in 2024.

Table 2: Budget situation

Description	Budget year	
	2018	2019
Total Expenditure as % of GDP	37.6	36.0
Revenues and grants as % of GDP	32.6	33.0
Share of External Public and Publicly guaranteed debt as % of GDP	104.1	101.2

Appendix V: Map of Project Area

