

**Opening Speech by
H.E. Dr. Kassu Yilala, Minister of Infrastructure
At the Mid Term Review Workshop of RSDP II**

**(April 12, 2005 Hilton International Hotel,
Addis Ababa, Ethiopia)**

Excellencies!

Distinguished Delegates!

Ladies and Gentlemen!

It is indeed a great pleasure and honor for me to welcome you all to this very important Workshop on the review of the on-going Road Sector Development Program of Ethiopia.

I am extremely happy to be here in the midst of distinguished delegates and colleagues for the mid-term review of RSDP-II. This review marks a significant milestone in the development of road infrastructure in Ethiopia. The Programme has already delivered significant economic and social benefits to Ethiopia. Allow me to thank and congratulate all our development partners on behalf of the people of Ethiopia in general and the Government of Ethiopia and the Ministry of Infrastructure in particular, for

supporting the Road Sector Programme that the Government accorded high priority. It is you who understood right from the beginning that rectifying the problems of Ethiopia's road sector required massive resources - resources that are truly beyond the financial capability of the Government. Road construction on such a sustained scale has never been imagined, let alone occur before, in Ethiopia. With full understanding of the situation, you helped us mobilize the necessary resources, and we recognized it as a true manifestation of the existence of a sincere partnership in development. It would be remiss of me not to mention this.

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As you recall, the first phase of the Road Sector Development Program which ended in June 2002 has attained an overall physical implementation of 88% of the Program with a corresponding disbursement rate of 77%. All in all, about Birr 7.1 billion (US\$ 818.0 million) has been disbursed during RSDP-I. Substantial progress has been achieved in re-opening nearly all of the classified roads, accessibility has been improved and the percentage of roads in good condition has also increased although

not as much as anticipated. At the same time, substantial progress has also been made in institutional capacity building.

While initial progress in implementing the RSDP-I has been lower than anticipated, the Program has now achieved a certain momentum that can best be measured by the achievements of the last two and half years of RSDP-II. The achievement during this period is remarkable with an accomplishment of 130% in both physical and financial terms. The lessons learnt from RSDP-I are bearing fruit in RSDP-II.

The overall disbursement rate for the seven and half years of RSDP has now reached 91%, whilst the corresponding physical accomplishment is 106% of the plan. The total cost of projects planned for execution during the same period amounted to Birr 14.0 billion (US\$ 1.650 billion) while the total sum of money disbursed in the same period amounted to Birr 12.8 billion (US\$ 1.504 billion). It is my belief that we could consolidate gains so far made in the Road Sector and move confidently forward in implementing the Program. But we need to make certain corrections and adjustments in our approach to awarding contracts to improve the practice.

Both the Ministry of Infrastructure and the Ethiopian Roads Authority are seriously concerned on the unacceptable level of performance by ICB contractors. We have not yet established the best practice in road construction. We all know that vast investments are made over the first and the on-going second RSDP. The Government of Ethiopia wants to make sure that these hard won scarce resources are used in the most cost effective manner with the delivery of the specified quality of road without any slippage in time. The lessons that we have learnt from RSDP-I and now RSDP-II calls for the establishment of a system of performance rating of contractors, acceptable to the industry, the multilateral and bilateral donors and the government of Ethiopia, when awarding contracts.

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We all agree that the investment policy, the institutional capacity building and the regulatory reforms which have been initiated in the road sector need to be continued to yield the full potential benefits of the Programme. The rehabilitation of the existing limited paved trunk road network and the provision of funds for

maintenance alone will not ensure the sustainability of the overall network. Without continuing investments in follow on projects in the road sector, vehicle-operating costs will remain high and many parts of the country will remain isolated from markets and political centers, effectively stifling the potential increment in productivity and production of the agricultural sector which is the foundation of the economy.

Our economy is heavily dependent on road transport infrastructure. The development of roads still lies far behind the demand that is being generated by the relatively faster economic growth, and the mere size of isolated areas from markets. Road infrastructure accompanied by efficient transport services are key to progressing towards the MDGs. With this realization the Government of Ethiopia in collaboration with the UN Millennium Project and the UN Country Team in Ethiopia has undertaken a detailed MDG-based poverty reduction strategy, which will be the basis for future development assistance. The Ethiopian Road Infrastructure Needs Assessment in the context of MDGs (2005/06-2014-2015) is almost completed and when finalized after the participation of stakeholders it is hoped to serve as the basis for RSDP III and beyond.

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The government is strongly committed to develop the domestic construction industry through the provision of the necessary support. We expect this to be recognized by the donor community as well. The provision of the necessary support, of course acceptable to all, needs to be designed in such a way that it will enable the domestic construction industry to play its role in the ICB projects. As regards ERA's force account its share in road works has dropped significantly with increasing reliance placed on private contractors. The efforts to establish the decentralized maintenance districts as fully commercialized entities is one of the main tasks to be accomplished under RSDP-II.

As you all know, during RSDP-I the Government has established a sustainable adequate maintenance funding mechanism. That mechanism is working accordingly. That is, all the fuel levies statutorily earmarked for this purpose are transferred to the Road Fund fully and promptly. The Government is now considering different practical modalities of moving to road-user charge systems, where viable, including the possibility of identifying other

sources of road financing suited to the macro-economic environment. In the mean time every effort will be made to ensure that the road fund is adequate for the routine maintenance and the increasing share of periodic maintenance. The goal that was set to attain financial self-sufficiency in all maintenance activities by the end of RSDP-II is still valid.

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In the absence of a railway system and as a landlocked country, putting the very many isolated communities and difficult terrain aside, the donor community does appreciate the critical role road infrastructure plays in the economy of Ethiopia for the mass transportation of goods. With agriculture as the mainstay of the economy light transportation infrastructure from the centers of production to the market are vitally important and demand a network of rural roads. What we have to strive for is the creation of a transport system designed to fit into all classes of roads to serve the country's economic development strategy and to enhance the democratic unity of the people. There can be no real fulfillment of the MDGs unless further massive road infrastructural

projects are made an integral part of the overall development process. Road development under the Ethiopian reality directly and positively impacts the eradication of poverty, poverty that kills.

With this situation the Government cannot shy away from its responsibilities of fulfilling the MDGs except to commit itself to allocate resources in the amount that can be stretched to the possible maximum to the road sector starting from the next budget year. The government cannot afford to delay the national development goals and responsibilities, for the MDGs deadline has already created a sense of urgency that it has to fulfill.

Finally, it is my belief that this forum is a venue for frank exchange of views on pertinent issues of the road sector, which we hope are properly identified by the on-going RSDP. Your view on different components of the RSDP are highly appreciated and I would like to convey the commitment of the different parties that have been actively involved in the implementation of the Program to consider your critical views for use in the on-going and successive Programs.

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I am sure this timely Mid-term Review workshop on RSDP-II will be concluded successfully, and it is with great pleasure that I am declaring it open officially.

I thank you.