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Is Public Investment on Rural Road Sector in Ethiopia Pro-poor? Evidence from the Ethiopian Rural Socio-economic—living Standard Measurement Survey (LSMS)

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Abstract

Ethiopia has made relatively massive investments in the development of roads to tackle isolation and improve the welfare of the rural poor), the overall disbursement over the past 15 years in road sector development programme (RSDP) is about Birr 180.9 billion (USD 12.2 billion). However, Ethiopia's rural road transport has still remained low. For example, while the proportion of area further than 5 km from all-weather roads is 40.5 percent, the average distance to all-weather roads is 6 km. As a result, close to 70 percent of the rural population in Ethiopia still travels about six hours to reach all weather roads. Besides, most rural roads are dry weather roads that cannot be passable by any formal transport modes during the wet season. Several studies have been done to deal with this important issue as it relates to agricultural production. Nevertheless, gaps remain. Against this background, this study aims at investigating the impact and pro-poorness of public investment in rural road transport in rural Ethiopia using consumption approach. The study used the Ethiopian Rural Socio-economic—Living Standard Measurement Survey of 2011 and 2013 data, collected by Central Statistics Agency of Ethiopia in collaboration with the World Bank. The econometric analysis from the fixed effect model estimation revealed that, improving the quality of rural roads to a level that allows all weather road access raises average real consumption per capita of households by as much as 10 per cent ($p < 0.00$). The result from the fixed effect quantile estimation revealed that rural road access has a positive and significant effect on welfare only for the 0.8^{th} and 0.9^{th} percentiles. The implication is that rural roads are not pro-poor in the period considered. The policy implication is that as far as investment on rural road is concerned, improving rural roads to a level of all-weather roads standards and provision of agricultural transport facilities (to meet mobility demand) should be given priority. There is a need for inclusive growth approach to improve the distributional effect of investments in rural roads.

Keywords: Fixed effects, impact, pro-poor growth, quantile regression, rural road transport

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