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Initiatives and measures implemented in  
Ethiopia

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AN OVERVIEW OF TRANSPORT AND TRADE FACILITATION  
INITIATIVES AND MEASURES IMPLEMENTED IN ETHIOPIA

COUNTRY PAPER

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## Introduction

Ethiopia is located in the Northern part of Africa known as the Horn of Africa. It is a big landlocked country with a population of over 75 million and with land area of 1.13 million km<sup>2</sup>. It is surrounded by vast lowlands of the border regions and central highland is bisected by the Great African Rift Valley. It has a diverse topography ranging in altitude from 150 meter below sea level to 4620 meter above sea level, which makes diverse agro-ecology and climate zones.

The socio-political economy of the country has been transformed from Monarchy to a socialist system and finally to a liberalized market economy. Despite the long history and potential natural resources, the country remains one of the poorest countries in the world.

The main contributing factors to such level of poverty include low production and productivity of the back warded subsistence and erratic rain-fed agriculture, insignificant share of industry and population pressure resulting in relatively low level of net economic growth for several decades.

At present agriculture is the main stay of the economy, accounting for about 44% of the GDP, supplying about 75% of domestic industrial raw material generating about 90% of export earnings and employing about 80% of labor force. Industry's share of GDP is a mere 13%, economic services 33% and social and administrative services 10%.

At present Ethiopia has shown a fast growing annual GDP and it was the fastest-growing nonoil-dependent African nation in 2007 and 2008. Since 1991, there have been attempt to improve the economy; however, there has been some political opposition to the policies as well as a 2008 drought which slowed the progress.

## **Foreign Trade and the Potential Outlets of Ethiopia**

Ethiopia was the original source of the coffee bean and coffee beans are the country's largest export commodity. It is also the 10<sup>th</sup> largest producer of livestock in the world. Other main export commodities are oil seeds, kaht, gold, leather products and pulses. Recent development of floriculture poised Ethiopia to become one of the top flower and plant exporters of the world. With the construction of various new dams and growing hydroelectric power projects in the country it has also to begin exporting electric power to its neighboring country.

The past and current trade data reveals that external trade sector was increasing at annual rate of 27.3%. Exports and imports were growing at a varying rate of 21.4% and 27.7%.

The external trade transaction was about 43% of the GDP indicating the growth of trade dependency. The elasticity of foreign trade with respect to the GDP was 1.97 for ten years reflecting a very elastic nature of trade responses to GDP growth.

The external transport particularly the sea out let of Ethiopia has witnessed several turbulent period along the sea cost line. Although Ethiopia has seven potential sea outlets of which four are active, the major import/export corridor at present Djibouti, handles about 97% of foreign trade, Berbera needs to be upgraded. Mombasa and Port Sudan are very far and Asab, Massawa and Mogadishu are not usable for political and security reasons.

The Djibouti corridor consists of three components the port of Djibouti, the inland transportation and the dry ports.

The fore cast of the country's foreign trade indicates that the import trade increases from 4.7 Mn to 14.5 Mn and export from 762,000 to 2.8 Mn in the coming ten years.

## **Port of Djibouti**

Port of Djibouti is located at the junction of the Red sea and Gulf of Aden. It was established at the beginning of 20<sup>th</sup> century with the construction of rail way to Addis Ababa in 1917. Thus Djibouti became Ethiopian first and major modern port since 1926 the port has been expanding through addition of new berths, facilities, dry port container terminals and the recently completed Duraleh port with over 1.2 Mn Twenty/Feet Equivalent unit (TEU) and huge petroleum capacities. Djibouti port is the short at route and now serves about 98% of Ethiopian traffic which is about 85% of the whole port traffic. Djibouti-Addis cordial is the main import- export corridor of Ethiopia. The joint transport agreements and corridor committee is established to follow the implementation. The recent Ethio-Djibouti multi modal transit, transport agreement (EDMTA) is one of the functioning accords in Africa which allow the most advanced operations in transporting imported goods from the origin directly to destination (dry port or buyers ware house).

As per the agreement it will be possible to achieve excellent transport and trade facilitation. The system eliminates delays and dwell time in the port, minimizes the risk of damage, theft, paying storage fees or sells of goods at auction due to delays and avoids numerous non physical barriers to movement in transit to inland dry ports.

## **Dry Ports and Regional Freight Station Development**

Developing dry port is a nation wide logistic systems which contains of three categories Joint border posts, strategic dry ports and Regional freight stations or Depots which is needed to be firmly integrated with an existing and future road net work development and the new railway network plan of the country.

### **1. Joint-Border Posts**

There will be about 13 border posts whose task is to expedite border-crossing promote legal cross border trading and help develop “transport with out borders”. The proposed location of border posts are Humera, Metema, Kurmuk, Jekaw, Dolo, Ferfer, Togowuchale, Awbarre, Dewelle, Relafi, Bure, Zalambessa and Rama. They will be the focus of the development of one joint-border posts and the implementation of the three-step check points.

## **2. Strategic Dry ports**

### **i. Central Dry Port**

This refers to the Mojo dry port which is located about 40 KM east of Addis Ababa is the primary and principal dry port of the country with the aim of developing and building efficient logistics system to the central and other, regions, here by lowering costs, minimizing delays, reducing risk, creating employments opportunities and promoting competitive foreign trade.

### **ii. Front Line and Basic Hinterland Dry Ports**

There are seven (7) Front line basic hinterland dry posts. Semera, Dire Dawa Jigiga, Mekele, BahraDar, Nekemte, Jimma and Hawasa with the Following objectives:

- Delivering regional share of import and export trade i.e. retaining and distributing the direct needs of their regional and serving as regional freight hubs.
- Supplying the adjacent but indirect hinter lands of the dry ports.
- Reducing port related storage costs, commodity spoilage and port congestion by serving as evacuation depots through quick shuttle services.

## **3. Regional Freight Station or Depots**

The aim is to establish distribution and collection centers in each regional capital and strategic business locations to serve as feeder freight stations and develop storage facilities, facilitate efficient logistics and promote competitive regional exports. The proposed locations include; Indasilassie, Humera, Bahir Dar, Kombolcha, Asosa, Gambelle, Robe (Bale), Albaminch, Moyale, Gode and Harar.

Regarding priorities to implementation the first will be completion of Modjo and Semera. The second is the construction of Dire Dawa dry port followed by the border posts and freight stations of all active corridor routs. Finally the regional secondary dry ports, freight stations and border crossing points will be implemented.