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International Workshop on

Fostering the Integration of Agricultural Value Chains of Commodity-Dependent Landlocked Developing Countries into Regional and Global Value Chains

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**Fostering Trade in Land-locked Commodity-Dependent Developing Countries:
Transport Costs and Logistics**

By

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The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

Fostering Trade in Land-locked Commodity-Dependent Developing Countries: Transport Costs and Logistics”

Presented on International workshop

“Fostering the integration of Agricultural value chains of commodity-dependent landlocked developing countries into regional and global value chains”

24 – 25 November 2021

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Transport Costs and Logistics

landlocked developing countries (LLDCs):

- lack direct sea-access
- low level of global trade
- restricted potential gains from international trade

- huge challenges for growth and development
- mostly affects the poorest countries
- majority of them are in Sub-Saharan Africa



Transport Costs and Logistics

- dependence over the transit state
- high transaction costs due to:-
 - high transit charges
 - customs and handling costs and
 - time delays
- raising import prices and reducing export revenues
- Affects heavily landlocked African countries

MacKellar et al. (2002)



Transport Costs and Logistics

- Africa's poor quality transport infrastructure accounts for
 - 40% of logistics costs in coastal
 - 60% in landlocked countries

UN-Habitat, (2014)



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Improving connective infrastructure can reduce costs for Africa's firms

Africa has the world's highest maintenance costs for road and rail networks



AFRICA'S DEVELOPMENT DYNAMICS 2019: ACHIEVING PRODUCTIVE TRANSFORMATION © AUC/OECD 2019



Transport Costs and Logistics

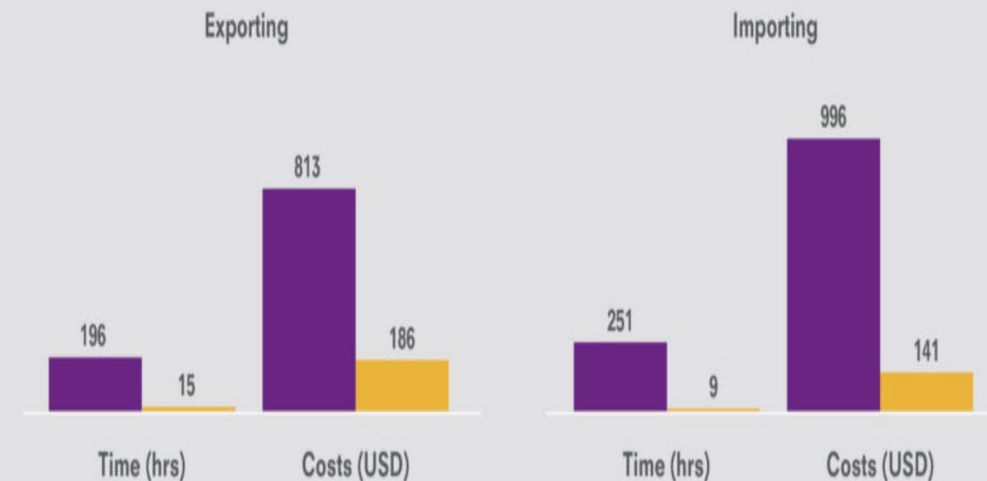
SSA countries generally have the largest

- time
 - cost
 - documents
- affect trade and commodity diversification

(World Bank, (2017))

FIGURE 2: THE EASE OF TRADING ACROSS BORDERS

Border and documentary compliance: ● Average: Sub-Saharan Africa
● Average: OECD High income countries



Donaldson, D. et al. (2017)



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Transport Costs and Logistics

Ethiopia is the number one country most affected

- 20ft container garments Ethio - Germany costs
 - 247% more than from Vietnam
 - 72% more than from Bangladesh

- It costs about \$2,660 to import from its source to Ethiopia
- goods take 20-30 days to reach Ethiopian from Djibouti port

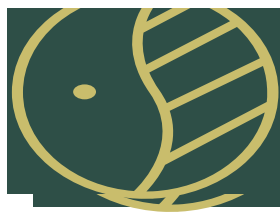
Tom Gardner, 2019



Logistics performance in light manufacturing

Countries	2016		2014	
	LPI Rank (160)	Overall LPI (out of 5)	LPI Rank (160)	Overall LPI (out of 5)
China	27	3.66	28	3.53
Botswana	57	3.05	120	2.49
Vietnam	64	2.98	48	3.15
Cambodia	73	2.80	83	2.74
Bangladesh	87	2.66	108	2.56
Ethiopia	126	2.37	104	2.59

Source: World Bank, 2014 and 2016 LPI



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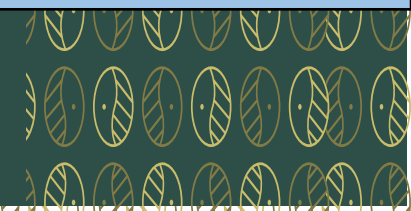
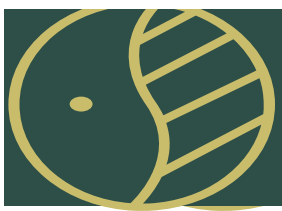
Logistics time for import cargo under unimodal and multimodal

Activities	Unimodal		Multimodal	
	Time (Days)	%	Time (Days)	%
Submit Foreign Currency Permit and LC opening	45	37	45	40
Waiting time for Ship at the port of loading	10	8	10	9
Shipping at Sea	25	20	25	23
Waiting time for ship at the port of discharge	37	30	6	5
In-land transport	3	2	3	2
Dwell time at dry port ¹	-	-	19	17
Customs clearing and shipment delivery	3	3	4	4
Total	123	100	112	100

it takes on average four months to import cargo

currency permit and port dwell time makeup the largest share (65%)

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018



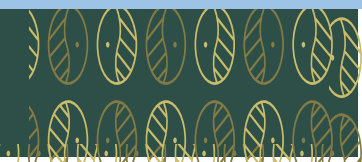
Transit Time

Activities	Transit Time (Days)				
	Unimodal			Multimodal	
	Bulk	Cont.	RoRo	Cont.	RoRo
Get transit permit from customs in Ethiopia	2	2	2	---	---
Customs clearance at Djibouti	2	2	2	1	1
Get delivery order from ship agent at Djibouti	1	1	3	1	3
Receiving goods at port	1	1	1	1	1
Carrier assignment & getting port gate pass	2	1	1	1	1
Loading and documentation for land transport	1	1	3	1	2
Inland transport	3	3	3	3	3
Customs clearance at the destination and shipment delivery	2	1	2	4	4
Total	14	12	17	12	15

port dwell time at the port of Djibouti is

- 37 days and
- 59 days at Modjo dry port

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018



Lead time for export

Activities in exporting cargoes	Time (Days)
Obtain bank permit	2
Obtain customs export clearance and loading	1
Land transport to port of Djibouti	3
Finalize customs & port formalities and stuff at CFS	2
Waiting and loading on ship	5
Shipping to port of Hamburg (Germany)	23
Total	36

One TEU container coffee

• Less than 20 tons load

• AA –Dj – Germany

hamburg

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

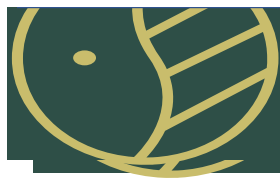


Logistics cost

Cost list	Unimodal		Multimodal	
	Cost (USD)	%	Cost (USD)	%
Shipping at Sea	725	28	725	30
Port Service at Djibouti	650	25	600	25
Land transportation to Ethiopia	1127	43	1000	41
Inland dry port service	100	4	113	4
Total	2602	100	2438	100

The average cost of one TEU container is 4,500 USD

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

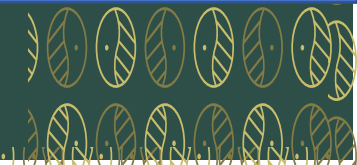


Comparison of cost of discharging service for import

Container Type	Port Stevedoring Charges in US Dollar					
	Mombasa	Dar es Salaam	Port Sudan	Average	Djibouti	Djibouti compared to average %
20feet	99	80	110	96	133	+39%
40feet	125	120	220	155	166	+7%

Port of Djibouti is well-known as one of the most expensive ports

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

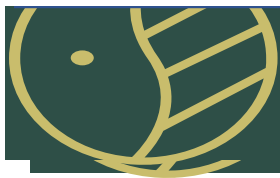


Comparative cost of shore handling for import containers

Container Type	Port Shore Handling Charges in US Dollar					
	Mombasa	Dar es Salaam	Port Sudan	Average	Djibouti	Djibouti compared to average %
20feet	85	70	40	65	272	+318%
40feet	85	95	80	87	544	+525%

Port of Djibouti is well-known as one of the most expensive ports

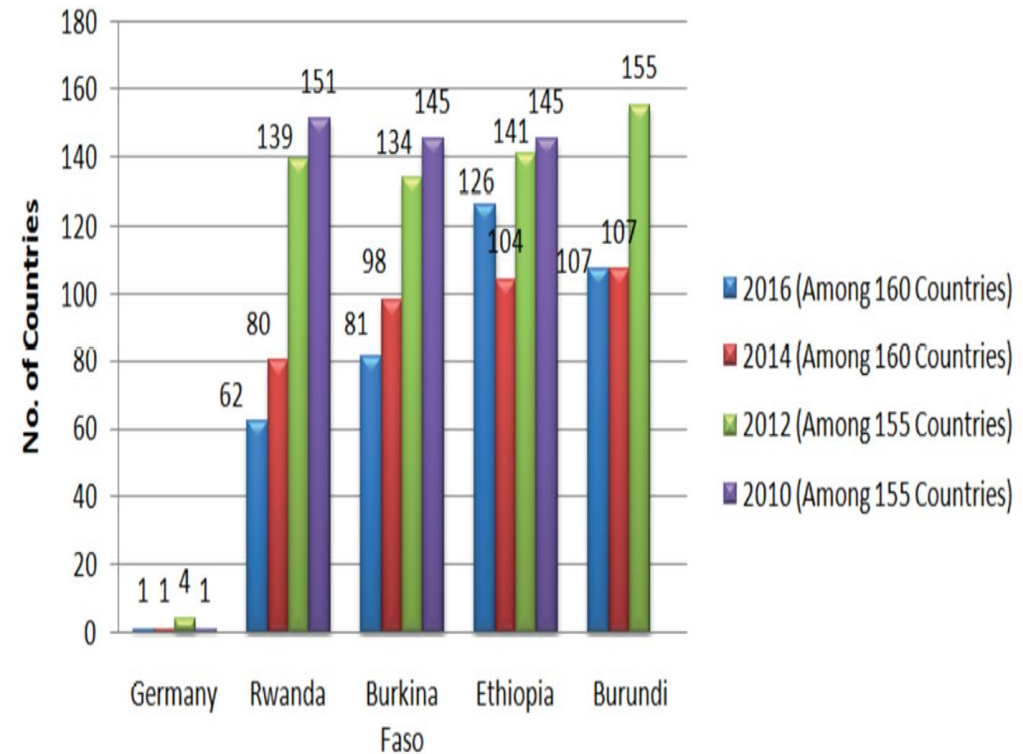
Source: Maritime Affairs Authority Internal Diagnosis Report, 2018



Continued

- ✓ Pays \$10/day for ship demurrage
- ✓ imports 2.5 to 4 million tons of dry bulk cargo annually
- ✓ logistics costs ranges from 14-35% of the GDP

Figure 2: Comparative position of Ethiopia in LPI



Source: Data from World Bank, 2010 – 2016 LPI²

Ethiopia is one of the lowest performing countries in trade logistics i.e., 126th out of 160 countries in LPI rank

Ethiopia's current initiatives to address the challenge

Ethiopia is to improve its regional connective infrastructure in the coming ten years

- ✓ \$2.5bn, 750km railway
Addis Ababa - Djibouti port
- ✓ reduced a three-day journey
down to 12 hours

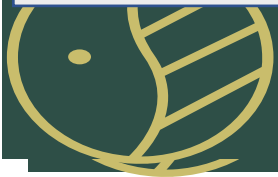


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Country's Strategic Goals

- ✓ Trim down the import lead-time from 123 to 40 days
- ✓ Cut the import cargo transit time of port discharge from 46 to 7 days
- ✓ Reduce export lead-time from 36 to 7 days
- ✓ Transport import bulk cargos with zero demurrage cost



Country's Strategic Goals

- ✓ Decrease import cargo port dwell time from 40 to 3 days
- ✓ Increase export cargo containerization from 33% to 90%
- ✓ Reduce dry bulk vessel anchorage time from 35 to 2 days
- ✓ Cut break-bulk vessel anchorage time from 15 to 2 days
- ✓ Increase trucks annual mileage from 70,000Km to 120,000km



Expected outcome

- ✓ Enable National Development
- ✓ Control Avoidable Logistics Cost
- ✓ Provide Systemic Logistics Solutions
- ✓ Provide Direction and Leadership

