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DT GLOBAL IDEV EUROPE S.L.



First Sixth Monthly Report

Technical Assistance to Ethiopia's Transport and Logistics Sectors

September 2021

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Six-Monthly Report nº1
From 22 February 2021 to 31 August 2021

**Technical Assistance to Ethiopia's Transport and
Logistics Sectors**

Submitted by



September 2021

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ABBREVIATIONS

ECC	Ethiopian Customs Commission
DPFZA	Djibouti Ports and Free Zone Authority
EDR	Ethiopia-Djibouti Railway
EFY	Ethiopian Financial Year
EMAA	Ethiopian Maritime Affairs Authority
ERA	Ethiopian Roads Authority
ERC	Ethiopian Railways Corporation
ETLSP	Ethiopian Trade and Logistics Support Programme
EU	European Union
EUD	European Union Delegation
EUR	Euro
FTA	Federal Transport Authority
ESLSE	Ethiopian Shipping and Logistics Services Enterprise
GOE	Government of Ethiopia
IRI	International Roughness Index
MCBRTA	Multilateral Cross-Border Road Transport Agreement
MOT	Ministry of Transport
NLS	National Logistics Strategy
NKE	Non-Key Expert
NRSC	National Road Safety Council
ORF	Office of the Road Fund
STE	Senior Transport Specialist
TA	Technical Assistance
TAT	Technical Assistance Team
TTTFP	Tripartite Transport and Transit Facilitation Programme
TL/LE	Team Leader / Logistics Expert
VLMS	Vehicle Load Management System

Project Summary

Partner Country	Federal Democratic Republic of Ethiopia
Contracting Authority	The European Union, represented by the European Commission, on behalf of and for the account of the Government of Ethiopia
Client	Ministry of Transport and Ethiopian Maritime Affairs Authority
Programme Title	Ethiopia Transport and Logistics Support Programme
Contractor	DT Global
Team Leader-Logistics Expert	Mark Pearson (550 days of input)
Senior Transport Specialist	Mohammed Jemal (550 days of input)
Non-Key Experts	303 person days of Senior NKE inputs and 103 days of Junior NKE inputs
Project Duration	30 months (22 February 2021 to August 2023)
Overall Objective	Enhance regional integration and increase competitiveness of Ethiopia in a sustainable way. Support the Government of Ethiopia meet the Performance Indicators of Ethiopia's Regional Connectivity and Competitiveness Sector Reform Performance Contract.
Specific Objectives	Specific objective 1: Improved quality of service of Ethiopia's regional transport corridors Specific Objective 2: Increased efficiency and effectiveness of the logistics sector Specific Objective 3: Improved environmental/climate and social performances
Purposes	In the framework of the Ethiopia's Regional Connectivity and Competitiveness Sector Reform Performance Contract (the Budget Support Programme), to support the policy dialogue in transport and logistics and the achievement of objectives and targets through: - Transfer of knowledge on logistics and transport best practices: provide technical assistance to the responsible government bodies to implement the logistics strategy, to improve the existing logistics system to international standards and modernise the transport services to better facilitate logistics (including for instance mode share to rail, inter-modality, axle overloading control, vehicle standards, road safety, time, etc.). - Technical Support on defining and implementing the logistics reforms: provide data evidence, best practices examples and contributing to bringing the reform of the logistics sector higher in the political agenda, ensuring the participation of CSOs in the policy making process and accelerate its pace.

	- Support on defining and monitoring relevant corridors' performance indicators and standards: to improve the monitoring and data collection (including environmental/climate performances and road safety), contribute to improving environmental and safety standards.
Expected Results	Result 1: Technical advice was adequately provided to the Government to facilitate the achievement of the 2021 Variable Tranche of the Ethiopia's Regional Connectivity and Competitiveness budget support performance indicators. Result 2: Data are timely available for the Government to be able to introduce their disbursement request for the 2021 Variable Tranche of the Ethiopia's Regional Connectivity and Competitiveness budget support. Result 3: The government bodies involved in the implementation of the logistics strategy are equipped with the necessary skills to implement the interventions (with the best knowledge of international best practices and internationally recognised standards) and to accelerate the path of reforms. Result 4: Transport services are improved in respect to vehicle fleet standards, modal shift, assets preservation. Result 5: Data collection and monitoring management systems are in place to inform policy making and ultimately to improve the regional corridors performances (including environmental and safety standards).

1 Introduction

The Ethiopia Transport and Logistics Support Programme (ETLSP) started on 22nd February 2021 with the mobilisation of the Team Leader and Logistics Expert (Mark Pearson) and the Senior Transport Expert (Mohammed Jemal). The Team Leader and Logistics Expert (TL-LE) has been allocated an office in the Ethiopia Maritime Affairs Authority (EMAA) while the Senior Logistics Expert (SLE) has been allocated office space in the Ministry of Transport.

The Inception Phase lasted one month, and the activities and outputs of this phase were reported on in the Inception Phase Report and in the inception meeting which was held virtually, as planned, on 4th March 2021.

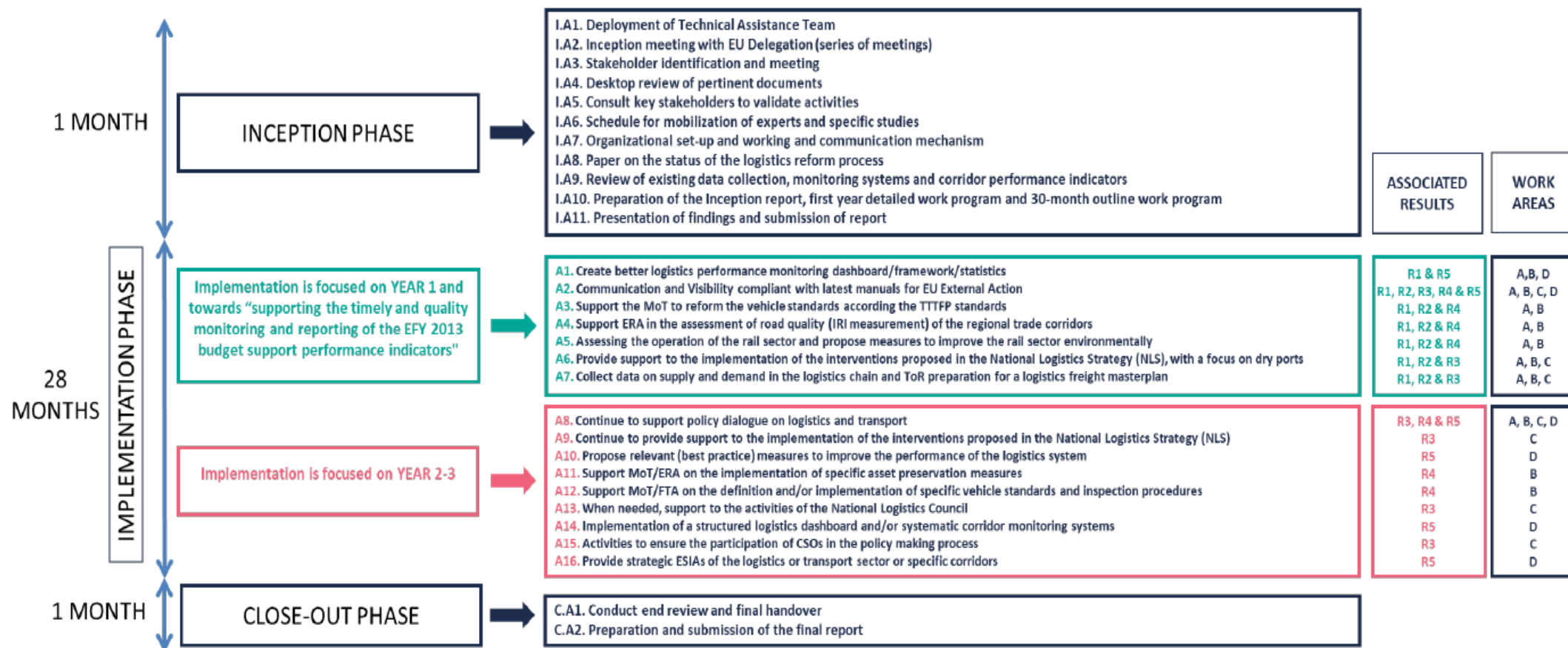
Implementation is taking place as per the schedule outlined in Table 1. The inception phase activities were all implemented in the first month of the project, and reported on in the inception report, with the exception of a paper on the logistics reform process. This is an on-going activity which will report on implementation of the National Logistics Strategy so it will be a monitoring mechanism for the NLS. This will be worked on, and the first draft will be presented, in the second half of the first year of implementation, meaning from September 2021 to February 2022.

In general, the Technical Assistance Team is of the opinion that good progress has been made in implementing the Project work plan in the first six months of the project. There have been some delays in implementation caused by the effects of the COVID-19 pandemic, coupled with the parliamentary elections and insecurity in some parts of the country. These factors have reduced the ability of the TAT to travel in Ethiopia, but the TAT has been able to adjust how the Project is implemented so largely mitigated the effects of the COVID-19 pandemic, elections and insecurity in parts of the country through a combination of rearranging activities, using ZOOM/TEAMS/WHATSAPP and compensating for the lack of fieldwork through desk studies and virtual meetings.

This report focusses on the planned activities of the first year of implementation, which are the activities labelled A1 to A7 in Table 1. The Report addresses implementation, challenges faced in implementation and planned activities over the coming 6 months for Activities A1 to A7. Progress on achieving Results 1 to 5 is also reported on.

Table 1: Project Phases, Planned Activities and Associated Results

TECHNICAL ASSISTANCE FOR ETHIOPIA'S TRANSPORT AND LOGISTICS SECTORS



2 Description of Progress (Technical)

		Indicator	Activities in Reporting Period	Comments	RAG
Year One	A1	Create Better Logistics Performance Monitoring dashboard	- Prepared a concept note on the design of the logistics dashboard (see Annex 1). At end-August 2021, this was being discussed and finalised by EMAA. The dashboard will be piloted as part of the ETLSP website and once finalised, it will be piloted initially as a Corridor Logistics Monitoring Dashboard and then as a national logistics portal. - Assessment of how the corridor logistics dashboards of other corridors function (mainly Northern and Central Corridors in East Africa) and a comparison of these with the recommendations and guidelines for the SSATP Observatory. - Analysis of the EFY 2011 and EFY 2013 data relating to transit time from the Ethiopian Galafi border post to the entry gate of Modjo Dry Port and then the time taken for cargo to move from the entry gate of Modjo Dry Port to the exit gate. - Collection of shipping data using a NKE and other sources. The costs of shipping have changed dramatically over the last six months, so the data collected needs to be more disaggregated than a 6-monthly average. - Assessed the options of purchasing shipping data from a commercial source.	UNECA has financed a study to examine the Logistics Digitalisation Gap Assessment in Ethiopia. The ETLSP has been focussing on the development of a Corridor Logistics Monitoring mechanism which would be a part of a country-wide logistics digitisation programme. A workshop was held on 15 th June 2021, organised by UNECA, to validate the Logistics Digitisation Gap Assessment report, with the participation of all stakeholders in the logistics sector.	
	A2	Communication and Visibility compliant with latest manuals for EU External Action	- The TAT prepared a C&V strategy and plan (including the logistics dashboard) ToRs. DT Global launched a restricted tender for the Communications Expert and the Web Designer and recruited the two most suitable applicants. - A kick-off meeting was held with the NKEs on 25th August 2021 and the preparation of the C&V strategy and plan, and development of the website and logistics dashboard, will start at the beginning of September 2021.	The development of the C&V strategy and plan has started later than planned but this is mainly because the TAT wanted to link the logistics dashboard to the C&V strategy. This involved developing a corridor logistics dashboard outline before the ToRs could be written.	
	A3	Support the MOT to reform vehicle standards according to TTTFP standards	- Working with FTA and ERA on “unpacking” the model laws and implementation strategies, specifically for the VLMS and MCBRTA. - Inputs in finalisation of the National Transport Masterplan. - Inputs in the evaluation of the performance of MOT and accountable institutions in 2013 EFY. - Inputs in the formulation of 2014 EFY work plan of the ministry and accountable institutions. - Participation in all workshops and conferences organised by the ministry in connection to the above and other national transport issues.	The responsibility for coordinating implementation of the TTTFP lies with the FTA but there seems to be no structured mechanism to monitor implementation.	
	A4	Support ERA in assessment of road quality (IRI)	- The TAT suggested to ERA to use a smartphone application (RoadLabPro) to measure the IRI of main corridor trunk roads while they waited for the arrival of the measuring	It is unlikely that the Project will have any meaningful interventions in this Activity after the first six months of	

		Indicator	Activities in Reporting Period	Comments	RAG
		measurement) of the regional trade corridors	equipment on order and so be able to meet the Budget Support targets before the end of EFY 2013. It was reported that this has been done. - The TAT did consider doing the road condition survey of the Djibouti and Berbera Corridors themselves, but this was ruled out as an activity in the first six months partly because ERA has already done the road condition survey on the Ethiopian sections, partly because the road condition survey would best be done as an exercise supervised by the Corridor Management Authority and partly because of the difficulty of accessing the Corridor roads during election times in Ethiopia and Somaliland.	implementation as ERA have road condition survey measuring equipment on order and have the capability and experience to use this equipment. They will need to use this information in their maintenance schedules and the TAT will assess whether they have the necessary skills and experience for this.	
	A5	Assess the operation of the rail sector and propose measures to improve the rail sector environmentally	- The TAT held a meeting with Ethiopian Railway Cooperation where the ERC senior management briefed the TAT on the main challenges faced in providing a service on the Ethiopia Djibouti Railway. This was the same briefing that was given to the National Logistics Committee and which the NLC is addressing. - There is a Railway Working Group that is supported by the World Bank. - The TAT has been working with EMAA on how to more efficiently track containers moved by rail from Djibouti to Modjo.	The measures the TAT can propose are generic - establishing a marshalling yard nearer the ports, link the Horizon storage tanks by pipeline to the marshalling yards, equip the marshalling yard with gantries, reach stackers, forklifts, install a container management system, pre-clear cargo to avoid border delays, etc. However, ERC and EDR need implemented projects and not generic advice. The TAT will need to reassess this activity.	
	A6	Provide Support to the Implementation of the Interventions proposed in the National Logistics Strategy, with a focus on Dry Ports	- Preparation of chapters in the State of Logistics report. - Design of the Djibouti Corridor Management Authority. - Design of the Berbera Corridor Management Mechanism – Diagnostic Framework. - Working with EMAA staff on securing data from ECC to measure the time taken from borders to Modjo and the time taken for cargo to be processed out of Modjo including a formula to apply. - Working with EMAA staff on an ID system for the EDR for containers. At the moment, each container is identified by a container number and as there are 50 to 55 wagons, so 100 to 110 containers on a train, locating containers is a lengthy process as it is not clear where on the train the containers are. This results in departure delays, delays at the border and delays at Modjo. - Briefing Note on implementing a Customs Union – Article 50 of the NLS – See Annex 4. - Briefing note on privatising ESLSE – See Annex 5. - Preparing a draft MOU for the establishment of the Ethiopia – Djibouti Corridor – See Annex 6.	Providing support to implementation of the NLS has been on a demand basis in the first six months, with the LTO providing requests for specific activities.	
	A7	Collect data on supply and demand in the logistics chain	The TAT prepared ToRs for a Freight Logistics Masterplan, which were discussed internally with EMAA and the MOT. They were then sent to the World Bank for funding.	Collection of data on supply and demand in the logistics chain will be done as part	

		Indicator	Activities in Reporting Period	Comments	RAG
		and TOR preparation for a logistics freight masterplan	The response from the World Bank was that the ToRs were too ambitious and required more funding than they had available. The TAT revised the ToRs to be done in two phases – a diagnostic phase to be done mainly internally, and an implementation phase, to be supported by cooperating partners. This is still being considered internally.	of the diagnostics phase of the Logistics Masterplan.	

Key: **Green** indicates progress is on track; **Amber** means that progress is slightly behind what is planned, and that attention needs to be paid to this action to get it back on track or the implementation plan needs modification; **Red** means that this activity is off track and urgent and immediate interventions are needed to get this back on track.

3 Technical Challenges faced in Implementation

		Indicator	Challenges faced and mitigating actions
Year One	A1	Create Better Logistics Performance Monitoring dashboard	- The challenges faced have been in sourcing data and validation of this data. Various sources have been used including using a NKE to collect data, collecting data directly from ESLSE and (unsuccessfully) sourcing data from the Northern and Central Corridor observatories. Lessons have been learned from Asian and other African monitoring systems. The TAT has also worked with the authors of the UNECA Logistics Digitalisation Gap Assessment in Ethiopia study.
	A2	Communication and Visibility compliant with latest manuals for EU External Action	- No specific challenges faced.
	A3	Support the MOT to reform vehicle standards according to TTFP standards	- The main challenge faced is to get up-to-date information on the status of implementation of the TTFP in Ethiopia. The TTFP project team did a baseline survey about 3 years ago but there seems to be no updating of the baseline study done so no clear TTFP performance monitoring mechanism in place. - There is a need to have a formal reporting channel between FTA and the TAT.
	A4	Support ERA in assessment of road quality (IRI measurement) of the regional trade corridors	- The TAT activities in this Activity will need to be reassessed. The main challenge faced by ERA has been the lack of road survey equipment. Once ERA gets the equipment it has ordered it will be able to implement the required road condition surveys. The TAT will keep in close contact with ERA on what support is required from the TAT, but it is expected that little, if any, support will be required by ERA in assessing road quality of the Corridors. It is possible that ERA may need support in using the road condition survey data as a road maintenance planning tool. - There is a need to have a formal reporting channel between ERA and the TAT.
	A5	Assess the operation of the rail sector and propose measures to improve the rail sector environmentally	- Although the TAT can provide generic advice, this is not what is needed by ERC or EDR. In addition, the TAT would really need to do a site visit to Modjo and Djibouti to finalise recommendations and these site visits have not yet been possible. There is also a possible overlap with activities funded by other cooperating partners.
	A6	Provide Support to the Implementation of the Interventions proposed in the national logistics Strategy, with a focus on Dry Ports	- The main challenge is determining how best to complement the existing LTO activities and provide technical assistance to the process. Each of the LTO staff members are assigned activities to implement under the NLS so the approach has been to support the LTO staff in preparing implementation plans. - There is a challenge on focussing on dry ports as dry ports are only a small component of the corridor logistics system so need to be addressed as a component.
	A7	Collect data on supply and demand in the logistics chain and TOR preparation for a logistics freight masterplan	- Collection of data on supply and demand has not started yet partly because of the need to identify what data should be collected and what data already exists and partly because of the challenges of in-country travel.

4 Progress Made on Achieving Results

Results		Activities implemented in first six months to achieve the results
Result 1	Technical advice was adequately provided to the Government to facilitate the achievement of the 2021 variable tranche of the Ethiopia Regional Connectivity and Competitiveness Budget Support Performance Indicators	The Technical Assistance Team provided the following support: - Working with the Budget Support TA, Karolyn Thunnissen, assisted the GoE with a template and format for the Budget Support Programme and assisted with the completion of parts of the report. - Assisted with data collection from the various agencies and with the tabulation and compilation of data for the report. - Provided advice on how to collect instrument-based readings for the IRI of the corridor trunk roads (PI-4). - Assisted with the definition of the Tripartite vehicle weights and measures legislation (PI-4). - Working with ERC to collect data on containers moved from Djibouti and the challenges faced by ERC in improving its performance (PI-9). - Through EMAA obtained data from Ethiopia Customs Commission on time taken to move containers from Galafi to Modjo and time taken to clear cargo through Modjo Dry Port for EFY 2011 and EFY 2013. The TAT assisted EMAA to calculate average times (mean, median and Standard Deviation) by month for EFY 2011 and EFY 2013. This allowed EMAA to measure the Performance Indicator 10 for the Budget Support Programme. By providing appropriate TA to the GOE, the TAT was able to significantly increase the amount payable under the Budget Support Variable Tranche simply by assisting the GOE on reporting on compliance. The TAT also improved the level of dialogue on the twelve Performance Indicators.
Result 2	Data are timely available for the Government to be able to introduce their disburse request for the 2021 variable tranche of the Ethiopia Regional Connectivity and Competitiveness Budget Support	The Ethiopian Transport and Logistics Support Programme effectively started on 22nd February 2021 so effectively 7 months into the implementation period of the Budget Support programme. At the time the ETLSP started it was already too late to request modifications in the agreed outputs of the 12 Budget Support indicators. If the GOE had made a request earlier it may have been possible to, for example, reduce the length of road for which instrument based IRI readings were required, considering security considerations. The TAT worked with ERA, ERC, FTA, EMAA and MOT to ensure that the data that could be collected was collected and timely available for the Government. The TAT team also prepared a draft outline of the report to be used by the GOE as their disburse request for the 2021 variable tranche.
Result 3	The government bodies involved in the implementation of the logistics strategy are equipped with the necessary skills to implement the interventions (with the best knowledge of international best practices and internationally recognised standards)	The TAT has been working with officials to improve skills to implement the NLS more effectively, taking account of international best practices and recognised standards. In the first six months the TAT worked to improve skills in: - transport economics - trucks not moving are trucks adding to the cost of transport; and the difference between generating cash flow and making a profit; - the economic costs of overloading and contradictions in the NIS on overloading; - the TTTFP model laws and implementation strategies, including provisions for vehicle overloading and the multilateral cross-border road transport agreement; - free trade agreements; - how to calculate transit times from eCMS data (mean, median and standard deviation). - Use of time/cost-distance surveys and TRS+ in combination.

	and to accelerate the path of reforms.	- Approaches to liberalising multimodal transport – use of NVOCCs and appropriate regulation. - Preparation of a draft work plan for the Djibouti and Berbera Corridor Management mechanisms when they are set up. - Assessment of existing port utilisation agreements and what would need to change.
Result 4	Transport services are improved in respect to vehicle fleet standards, modal shift, assets preservation.	The TAT will focus on this result in the second 6th month implementation period with an update of the TTTFP baseline survey and the IRI instrument-based measurements. Based on this, the TAT will make recommendations on how to improve transport services in respect to vehicle fleet standards, modal shift, assets preservation.
Result 5	Data collection and monitoring management systems are in place to inform policy making and ultimately to improve the regional corridors performances (including environmental and safety standards).	The project recruited a Communications Expert and a Web Designer as NKEs at the end of August 2021. The Web Designer is expected to design the project website and part of the project website is a corridor logistics dashboard. In preparation for the dashboard, the TAT has been collecting data for use on the dashboard including shipping data, inland transport data, etc. The corridor logistics dashboard is intended to act as a pilot data collection and monitoring management system for the Horn of Africa corridors. Once the dashboard has proved itself sustainable, it will be handed over to the Corridor Management Authority and will be a useful tool to inform policy making and improve regional corridors performances.

5 Planned Activities in next Six Months (September 2021 – February 2022)

Work Programme Activity		Actions
A1	Create Better Logistics Performance Monitoring dashboard	- Launch the Project website as a pilot website and keep it off-line until it is tried and tested. - Launch the pilot dashboard as part of the Project website with a view to putting it into the public domain after its sustainability has been ascertained and its functionality proved. - Assessed the options of purchasing shipping data from a commercial source and collection of shipping data. - Collection of inland transport data from port to ICD. - Working with EMAA and the authors of the UNECA Logistics Digitalisation Gap Assessment in Ethiopia report to design a national logistics digitisation and monitoring mechanism.
A2	Communication and Visibility compliant with latest manuals for EU External Action	- Prepare the C&V Strategy and Plan including an implementation plan. - Implement the C&V Strategy and Plan, with the Project website and corridor logistics dashboard as part of the C&V implementation plan.
A3	Support the MOT to reform vehicle standards according to TTTFP standards	- Update the TTTFP baseline survey by working in collaboration with the TTTFP Secretariat and the COMESA focal point. - Assess whether Ethiopia is compliant with the provisions of the TTTFP. - Assess how appropriate the model laws and implementation schedules are for Ethiopia. - Draw up an implementation plan to implement the VLMS and the MCBRTA and discuss this with the Administration. - Include the provisions of the TTTFP (VLMS and MCBRTA) in the transport/transit/port utilisation agreements for the Berbera and Djibouti Corridors.

Work Programme Activity		Actions
A4	Support ERA in assessment of road quality (IRI measurement) of the regional trade corridors	- Discuss with ERA the best way that the TAT could support ERA in assessment of road quality (IRI measurement) of the regional trade corridors. - After this discussion, draw up an implementation programme to support ERA.
A5	Assess the operation of the rail sector and propose measures to improve the rail sector environmentally	- Discuss with ERC the best way that the TAT could support the operation of the rail sector. - After this discussion draw up an implementation programme to support ERC and/or EDR.
A6	Provide Support to the Implementation of the Interventions proposed in the National Logistics Strategy, with a focus on Dry Ports	- Finalise the State of Logistics report as a ETLSP report and discuss this with EMAA and MOT. - Finalise the Work Plan for the Djibouti Corridor Management Authority which are in line with the TTTFP and the WTO Trade Facilitation Agreement. - Finalise the Work Plan for the Berbera Corridor Management Mechanism, which are in line with the TTTFP and the WTO Trade Facilitation Agreement. - Meet with stakeholders in Ethiopia, Djibouti and Somaliland to discuss the creation of the Corridor Management Authority/Mechanism. - Meet with stakeholders in Ethiopia, Djibouti and Somaliland to discuss the proposed Corridor Management Authority/Mechanism Work Plans. - Carry out baseline surveys (including TRS and T/D-C surveys) on the Djibouti and Berbera Corridors. - Assess the costs and prices of inland transport on the Berbera and Djibouti road corridors and on the Djibouti rail corridor. - Establish a Corridor Performance Monitoring Mechanism. - Work with EMAA to finalise draft legislation which will allow improved private sector opportunities to operate in dry ports. - Work with EMAA to finalise draft legislation that will remove the monopoly of ESLSE on the multimodal system and introduce a regulatory system that ensures a competitive environment.
A7	Collect data on supply and demand in the logistics chain and TOR preparation for a logistics freight masterplan	- With EMAA finalise the Terms of Reference for the Logistics Freight Masterplan and draw up an implementation plan. - With EMAA, finalise the Terms of reference for the Logistics Freight Masterplan and assist EMAA to secure financing for its implementation. - Using NKEs, and through activities of the TAT, collect data on supply and demand in the logistics chain as part of implementation of the diagnostics phase of the Freight Logistics Masterplan.

6 Planned use of NKEs in next Six Months (September 2021 – February 2022)

Work Programme Activity		Actions
A1	Create Better Logistics Performance Monitoring dashboard	- The Project will make use of the NKE recruited under the C&V Strategy (the Web Designer in particular) to assist to create a logistics performance monitoring dashboard.
A2	Communication and Visibility compliant with latest manuals for EU External Action	- The Project will make use of the NKE recruited under this work programme activity to prepare the C&V Strategy and Plan and implement the C&V Strategy and Plan.
A3	Support the MOT to reform vehicle standards according to TTTFP standards	- No NKE support will be used in the second 6-month implementation period to support the MOT to reform vehicle standards.

Work Programme Activity		Actions
A4	Support ERA in assessment of road quality (IRI measurement) of the regional trade corridors	- Depending on the outcomes of the discussions with ERA on the best way that the TAT could support ERA in assessment of road quality (IRI measurement) of the regional trade corridors the TAT may recommend using a specialist NKE in this area.
A5	Assess the operation of the rail sector and propose measures to improve the rail sector environmentally	- Depending on the outcomes of the discussions with ERC on the best way that the TAT could support the operation of the rail sector the TAT may recommend using a specialist NKE to assist to devise measures to improve the rail sector environmentally.
A6	Provide Support to the Implementation of the interventions proposed in the National Logistics Strategy, with a focus on Dry Ports	- There are no plans to use NKEs in the coming six months in providing support in implementing the interventions proposed in the National Logistics Strategy.
A7	Collect data on supply and demand in the logistics chain and TOR preparation for a logistics freight masterplan	- Depending on whether the Terms of Reference for the Logistics Freight Masterplan are approved by EMAA, the intention is to use 12 months of NKE time to collect data on supply and demand in the logistics chain of selected supply chains.

7 Description of resources used

7.1 Working Days

POSITION	NAME	1st Invoice (February-August2021)							Days
KEY EXPERTS		February	March	April	May	June	July	August	
Key Expert 1	Mark Pearson	5	22	6	12	17	17	10	89
Key Expert 1-Homebased	Mark Pearson-HB			5	6	5	5	5	26
Key Expert 2	Mohammed Jemal	4	22	22	18	22	12	22	122
TOTAL KEY EXPERTS									237
NO KEY EXPERTS									
Senior									
	Gilbert Mbae Maeti						2		2
TOTAL NO KEY EXPERTS									2

7.2 Incidentals

Invoice date	Attach.	Invoice	Vendor	Description	TOT	Currency	Rate change	TOT (EUR)
jul-21	Timesheet		Mohammed Jemal	5 Perdiem	1.000,00	EUR	1,00	1.000,00
ago-21	Timesheet		Mohammed Jemal	3 Perdiem	600,00	EUR	1,00	600,00

8 Invoice and Expenditure Verifications Report

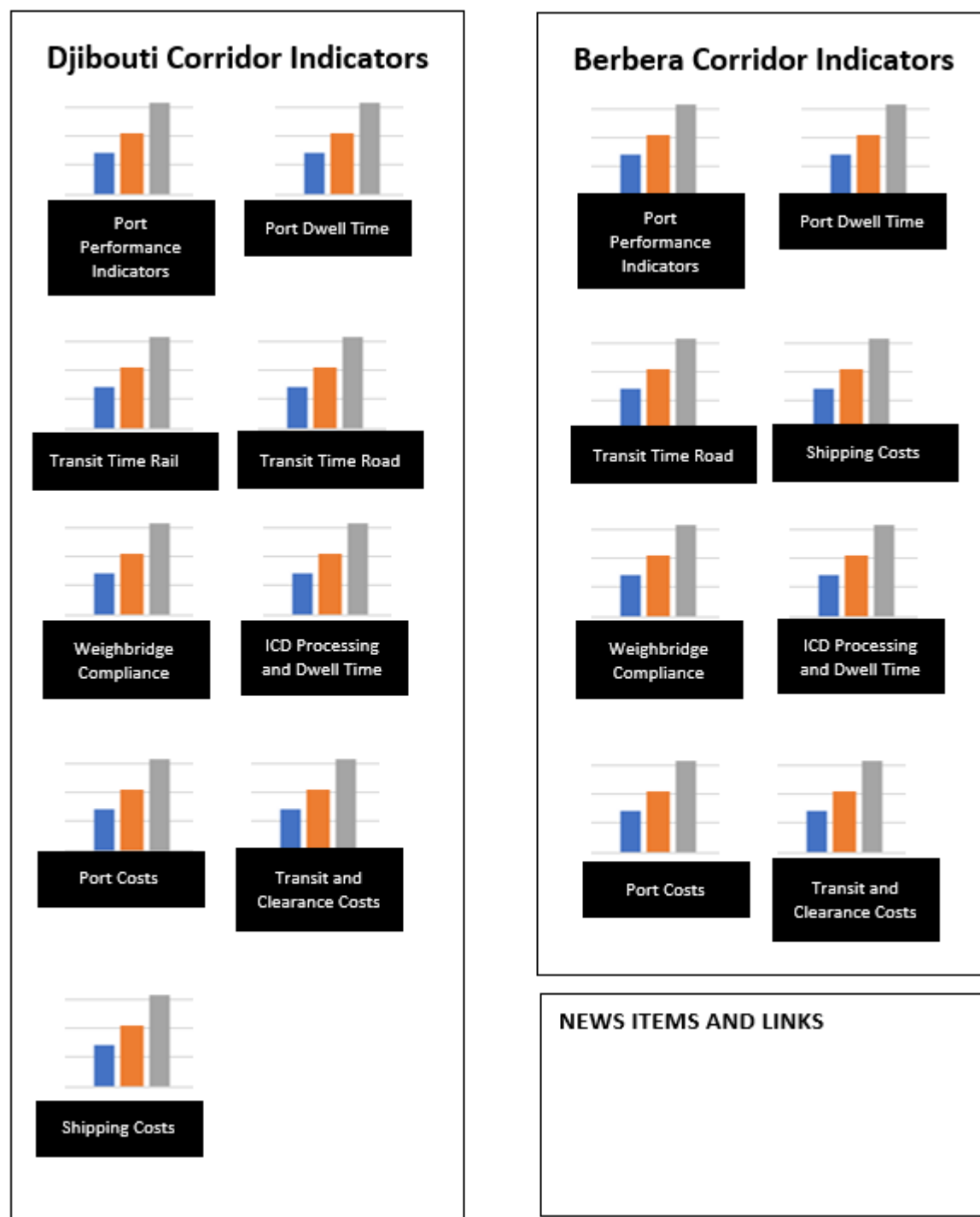
These will be submitted separately.

Annex 1: Potential Architecture of the Corridor Logistics Dashboard

The intention is to develop a Logistics Database, which will be updated monthly, and using the database produce a monthly “Logistics Snapshot”.

The Logistics Database will be web-based, and a user will be able to interrogate the Logistics Database.

The logistics Database will also drive a Logistics Dashboard which will displayed on the website, and which could look like:



Potential links:

- https://www.pmo.gov.et/media/documents/Improving_Ease_of_Doing_Business_jull23.pdf
- https://www.pmo.gov.et/media/documents/Ethiopia-0509_Economic_Reform_Agenda.pptx
- GTPI and GTPII.
- Djibouti Agreements
- Sudan Agreements
- Berbera Agreements
- Corridor Reports
- ADDIS ABABA UNIVERSITY SCHOOL OF GRADUATE STUDIES: THE ETHIO-DJIBOUTI RELATIONS: IMPLICATIONS FOR SUBREGIONAL INTEGRATION SCHEMES IN THE HORN OF AFRICA BY URGESSA DERESSA GUTU
<http://etd.aau.edu.et/bitstream/handle/123456789/4730/Urgessa%20Deressa.pdf?sequence=1&isAllowed=y>
- Japan International Cooperation Agency. Project on Supporting Investment Promotion in Africa. Data Collection Survey on Investment Promotion in the Federal Democratic Republic of Ethiopia.
<https://www.jica.go.jp/ethiopia/english/c8h0vm0000bmu5is-att/survey.pdf>
- World Bank HOA Initiative: Concept Environmental and Social Review Summary. Concept Stage. (ESRS Concept Stage). Date Prepared/Updated: 02/10/2021 | Report No: ESRSC01859.
<https://documents1.worldbank.org/curated/en/586601613003460833/pdf/Concept-Environmental-and-Social-Review-Summary-ESRS-Horn-of-Africa-Initiative-Regional-Economic-Corridor-Project-P174485.pdf>
- Addis Ababa – Djibouti Railway:
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Logistics Database		
Logistics Metric	Source	Comment
Flow of Goods through Sea Ports		
Imports from Djibouti TEUs	ESLSE/ECC	Automated data from eCMS
Imports from Djibouti tons	ESLSE/ECC	Automated data from eCMS
Imports from Djibouti litres of fuel	EPSE	Automated data?
Exports from Djibouti TEUs	ECC	Automated data from eCMS
Exports from Djibouti tons	ECC	Automated data from eCMS
Imports from Berbera TEUs	ECC	Automated data from eCMS
Imports from Berbera tons	ECC	Automated data from eCMS
Imports from Berbera litres of fuel	EPSE	Automated data?
Exports from Berbera TEUs	ECC	Automated data from eCMS
Exports from Berbera tons	ECC	Automated data from eCMS
Imports from Port Sudan TEUs	ECC	Automated data from eCMS
Imports from Port Sudan tons	ECC	Automated data from eCMS
Exports from Port Sudan TEUs	ECC	Automated data from eCMS
Exports from Port Sudan tons	ECC	Automated data from eCMS
Flow of Goods through Airport		
Exports from Addis Ababa Airport (tons)	ECC/EAL	Automated data from eCMS
Imports through Addis Airport (tons)	ECC/EAL	Automated data from eCMS
Road Transport (Time)		
Time taken from port to border	External Customs	Will be from cargo tracking
Time taken to clear external border	External Customs	Departure minus arrival time
Time taken to clear internal border	ECC	Automated data from eCMS
Total time taken to clear both borders	Calculated variable	Data from ECC and external customs
Transit time from border to ICD	ECC	Cargo tracking or arrival minus departure
Road Transport (costs and prices)		
Price of road freight by TEU (O-D)	Transport companies/ESLSE	Get monthly
Cost of road freight by TEU (O-D)	Computed	Apply formula
Price of road freight by metric ton (O-D)	Transport companies/ESLSE	Freight companies and ESLSE
Cost of road freight by metric ton (O-D)	Computed	Apply formula
Rail Transport (Time and Cost)		
Time taken to unload a train	EDR	Get monthly from ERD
Time taken to build up a train	EDR	Get monthly from ERD
Train turn-around time (arrival-departure)	EDR	Get monthly from ERD
Time taken Djibouti-Modjo	EDR	Get monthly from ERD
Time taken Modjo-Djibouti	EDR	Get monthly from ERD
Number of trains (month)	EDR	Get monthly from ERD
Number of TEU Djibouti-Modjo (month)	EDR	Get monthly from ERD
Number of TEU Modjo-Djibouti (month)	EDR	Get monthly from ERD
Dry bulk tonnage Djibouti-Modjo (month)	EDR	Get monthly from ERD
Dry bulk tonnage Modjo-Djibouti (month)	EDR	Get monthly from ERD

Logistics Database

Logistics Metric	Source	Comment
Wet bulk tonnage Djibouti-Modjo (month)	EDR	Get monthly from ERD
Wet bulk tonnage Modjo-Djibouti (month)	EDR	Get monthly from ERD
Multimodal and Unimodal Shipping Costs (per TEU / per ton by month)		
Various ports to Djibouti	ESLSE/shipping lines	May need to buy this information commercially
Various ports to Berbera	May need to buy this information commercially	
Various ports to Port Sudan		
Various ports to Mombasa		
Various ports to Dar es Salaam		
Port Costs (Djibouti, Berbera, P Sudan)		
Port Storage per day (USD)	Port Authorities	
Demurrage – number of free days	Port Authorities	
Demurrage – first X days after free time	Port Authorities	
Demurrage – after X days	Port Authorities	
Delivery Order per B/L (TEU & FEU)	Port Authorities	
Delivery Order per container (TEU & FEU)	Port Authorities	
Customs Overtime (TEU & FEU)	Port Authorities	
Terminal Handling Charges (TEU & FEU)	Port Authorities	
Crane Charge (TEU & FEU)	Port Authorities	
Municipality (TEU & FEU)	Port Authorities	
Miscellaneous (TEU & FEU)	Port Authorities	
Gate pass (TEU & FEU)	Port Authorities	
Custom clearance charges (TEU & FEU)	Port Authorities	
Road Infrastructure		
Map of road condition colour coded (poor/average/good)	ERA	From road condition surveys
Map of weighbridge positions and overloading recorded at each weighbridge	FRA	From weighbridge data

Annex 2: Profiles First Five Major Corridor Management Bodies of Africa

Ser. No	Name of Corridor Mgt Body	Member States	Corridor Management Body		Key Roles	Major Success/Failure Stories
			Governing Body	Composition		
1	Northern Corridor Transit and Transport Coordination Authority	Burundi DR Congo Kenya Rwanda Uganda South Sudan	Council of Ministers	Ministers responsible for transportation matters in each contracting State.	Policy direction	- Enhanced cooperation among the Member States. - Elimination of multiple security bonds and multiple customs declarations. - Creation of the implementing institutions in Member States such as Road Authorities, Road Maintenance Funds, National Road Safety Authorities, Revenue Authorities, etc. - Interfacing of Customs Systems and joint verification of multiple Customs documents. - Reduction of roads, police, and customs roadblocks - Introduction of High Speed- Weigh-In-Motion Systems to reduce multiple weighbridges along the Corridor. - Decongestion of Mombasa Port by streamlining and automating the procedures and operations. - Domestication of some RECs polices such as the implementation and effective monitoring of EAC Vehicle Load Control (VLC) and some COMESA Trade Facilitation Instruments. - Harmonization of National Customs Laws and Instruments. - Mobilization of funding for rehabilitation of major highways. - Advocacy for adequate border infrastructure such as One Stop Posts and related facilities to minimize Customs procedures and transit times. - Improved planning and decision making on issues related to transport and trade facilitation in the Member States. - Effective Monitoring System through Transport Observatory and Dashboard.
			Executive Committee	Inter-governmental committee. Permanent Secretaries or equivalents.	Responsible for initiating general principles and policies governing the Secretariat.	
			Transport Policy and Planning Committee	Technical staff from the civil service of the countries who are members of the NCTTCA.	Each Committee has its own specialized work plan	
			Customs and Transit Facilitation Committee			
			Infrastructure Dev and Management Committee			
			Private Sector Investment Promotion Committee			
			Public Private Partnership Committee	Public and private sector stakeholders dealing with trade and transport	Identifying challenges faced by stakeholders and proposing solutions	
2	Central Corridor Transit Transport Facilitation Agency (CCTTFA)	Burundi DR Congo Rwanda Tanzania Uganda.	The Interstate Council of Ministers	Ministers of Transport from Partner States, meets once a year	Responsible for coordinating policy issues of TTFA	- Enhanced cooperation among the Member States. - Reduction of roads, police, and customs roadblocks - Improved planning and decision making on issues related to transport and trade facilitation in the Member States. - Effective Monitoring System through Transport Observatory and Dashboard.
			Executive Board	Permanent Secretaries from the Ministries of Transport and one Private Sector representative (Public & Private sectors). Meets twice a year	Formulates general principles and policies to govern TTFA	

			Stakeholder's Consultative Committee (STACON)	Meets twice a year but may meet more regularly at the request of a member	Provides feedback on projects and activities	
			Stakeholder's Representative Group (STAREP)	Established by STACON to oversee its affairs between meetings	Develops targets and monitors performance	
			Permanent Secretariat	Technical facilitation, organizational and logistical services. Technical advice to the governing organs. Collecting data on the corridor operations.	Responsible for the implementation of decisions and resolutions of the Interstate Council of Ministers and Executive Board.	
3	Dar es Salaam Corridor	Tanzania Zambia Malawi	The Dar es Salaam Corridor is a World Bank support project. The Secretariat and all the activities of the Secretariat are supported by the World Bank			- Providing coordination platforms to corridor participants - Reducing cargo and truck turn-around times - Reduction of storage and demurrage charges - Provide relevant performance benchmarks to all stakeholder categories - Support improved decision making through cause-effect analysis
4	North South Corridor	South Africa Zimbabwe Botswana Zambia DR Congo	The North South Corridor, in terms of traffic, and value of cargo, is the busiest corridor in Africa. Numerous attempts have been made to establish the North South Corridor Management Authority. The Authority would harmonise trade and transport facilitation regulations and mechanisms and monitor the condition of infrastructure as well as on the performance of the corridor in terms of time taken and costs. However, South Africa has consistently blocked the establishment of a Corridor Management Authority and so no CMA exists			
5	Abidjan Lagos Corridor	Benin Ghana Ivory Coast Nigeria Togo	The Abidjan-Lagos Trade and Transport Facilitation Project (ALTTFP) was originally initiated by the World Bank and the Corridors five member countries. ALTTFP focussed on four main components: Trade Facilitation, Improvement of the road infrastructure, project management/coordination and the HIV/AIDS Programme and Corridor Performance monitoring and evaluation.			
6	Maputo Corridor Logistics Initiative	South Africa Mozambique Eswatini	The Maputo Development Corridor (MDC) was launched as a Spatial Development Initiative (SDI) in 1996 as the governments of South Africa and Mozambique sought to rebuild their economies and restore trade and investment ties. Both governments agreed on the enormous potential benefits of rehabilitating the key elements of this vital strategic transport corridor which links the Port of Maputo with Johannesburg. The Maputo Corridor Logistics Initiative (MCLI) was a non-profit organisation which brought together infrastructure investors, service providers and stakeholders from Mozambique, South Africa and Eswatini who had a common interest in the promotion and further development of the MDC as the region's primary logistics transportation route. It closed in February 2019			

Annex 3: Analysis of the Berbera Port Utilisation Agreement between Ethiopia and Somaliland¹

Art	Content of the Article	Interpretation of the Article	Comments
1.1	“Transit” means crossing over the territory of the Government of Somaliland which corresponds to a segment of the total journey, which begins or ends in Ethiopia.	This agreement only covers transit in Somaliland and not transit in Ethiopia. Article 1.3 is specific in that it refers to transit traffic beginning or ending in Ethiopia.	The Agreement would need to define transit both in Ethiopia and in Somaliland.
3.2	Port of Berbera shall give priority to Ethiopian transit cargo in accordance with the port regulations	This means that not all goods are treated equally, which is a founding principle of trade, transport and transit agreements	This wording should be removed and more neutral language regarding conforming to MFN and national treatment could be used.
6.1	The Parties agree to designate frontier posts at common border points to be specified in a separate agreement to be agreed upon between the responsible focal points of the parties to facilitate transit transport under the auspices of this Agreement	This implies that a transporter or a trader is not at liberty to choose what national highways they want to use.	This clause could be left out of the agreement.
6.2	The Parties shall cause the establishment of a joint corridor management office and provide same with adequate facilities and related installations at frontier posts over the transport transit routes to enable the committee to give solution for transit and port utilisation issues.	The first part of the sentence makes provision for the joint corridor management office. The second part of the sentence suggests that the joint corridor management office would be involved in providing solutions to transit and port utilisation issues.	These provisions would be superseded by the OSBP Bilateral agreement between Ethiopia and Somaliland
6.3	The parties agree to harmonise their systems regarding frontier facilities for goods in transit	This makes provision for shared facilities and an OSBP	The OSBP Bilateral Agreement should capture the provision to harmonise systems regarding frontier facilities for goods in transit
7.3.1	Somaliland shall provide the following services to ships owned or chartered by Ethiopia and goods originating from and destined to Ethiopia:	This article is not necessary. The port services provided by the port of Berbera will be provided to all ships calling at the port of Berbera, not just ships owned or chartered by Ethiopia.	This article could be removed.
7.4	In order to expedite the clearing, forwarding and other related port services Somaliland shall provide: 7.4.1 Adequate and convenient dedicated area for handling, stuffing and unstuffing of containers	The port services will be provided by the Berbera Port Concession which is owned by DP World as a majority shareholder and the Government of Somaliland as a minority	This article could be removed

¹ Bilateral Agreement between the Government of the Federal Democratic Republic of Ethiopia and the Government of Somaliland for the Utilisation of the Port of Berbera and Services to Cargoes in Transit. Signed on 31st March 2016 by the DG of EMAA (for Ethiopia) and the GM of Berbera Port (for Somaliland). Reporting in the above table is based on a “reporting by exception” framework, meaning that only Articles and sub-articles that are not in the best interests of Ethiopia or Somaliland are identified, interpreted and commented on.

Art	Content of the Article	Interpretation of the Article	Comments
	7.4.2 Adequate and convenient dedicated storage area	shareholder. So it is not true to say that the port services shall be provided by Somaliland	
7.4	In order to expedite the clearing, forwarding and other related port services Somaliland shall provide: 7.4.3 Adequate and convenient truck fleet and dedicated parking area	It is not the responsibility of Somaliland or of the port to provide an adequate and convenient truck fleet. It is undesirable for there to be a dedicated parking area for trucks in the port area	This article can be removed
7.5	The service hours of the port) including relevant offices required for these purposes) shall be 24 hours a day on three equal shift basis and 7 days a week.	This is a commercial decision that will be taken by the concessionaire and should not be a part of a government-to-government agreement	This article can be removed
8.3	Competitive and preferential tariffs shall be provided to ships flying Ethiopia flag in respect of all services provided by Port Berbera	Rates are set by the market and the concessionaire. It is against the principles of MFN, and so illegal under WTO law, to discriminate against one nation in preference of another nation.	This article contravenes international law and should be removed.
8.4	All payments shall be paid upon completion of the services	This is a commercial decision and should be up to the Concessionaire to determine	This article can be removed
10.4	There shall be no customs transit fee, security and escort and related impositions on transit cargo originating from and destined to Ethiopia on approved routes.	All abnormal loads and some dangerous goods need to have an escort.	This article should be reworded
11	Port Dwelling Time of Transit Cargo	- There are many factors that come into play in determining port dwell time and port dwell time cannot be determined by a government-to-government agreement - The grace period for port dwelling, storage charges, handling of abandoned cargos will all be addressed in the commercial contract and is not determined by governments -	This article could be removed.
12	Licensing of freight Forwarding Agency and Shipping Agency	Rules and regulations, including licensing and licensing requirements, for Customs clearing agents, freight forwarders and shipping agents should be determined as part of the introduction of a new Customs Management System and not as part of a Berbera Port Utilisation Agreement	Article 12 could be removed and replaced by new provisions governing Customs clearing agents; freight forwarders and shipping agents.
16.1	Multimodal model prevails at the Port of Berbera, providing that the operator shall grant sub-contracts to Somaliland licensed freight forwarders/ clearance agents, shipping agents and transport operators; providing the multimodal	The Multimodal model is defined by the Ethiopian FOB Directive which states that sea transport for every import into Ethiopia should be done by ESLSE if the carrier has a service from the port of loading, which can include slot chartering. The freight will be paid in local currency at	The GOE are in the process of reforming the multimodal system and removing ESLSE's monopoly. This Article could be removed.

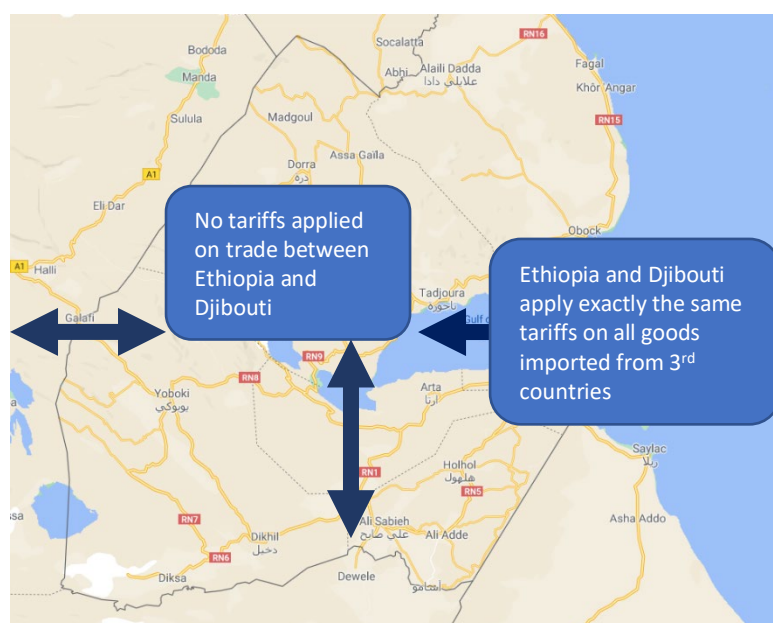
Art	Content of the Article	Interpretation of the Article	Comments
	contractor will respect the agreed equal and equitable sharing of the two Parties' transporters.	ESLSE's head quarters in Addis Ababa. This directive applies to all imports paid by Ethiopian banks through letter of credit or cash against document.	
16.2	Commit themselves towards the normal and appropriate implementation of the multimodal and/or unimodal transport system.	For imports into Ethiopia where the foreign currency is not paid by Ethiopian banks, the importer is free to use any Shipping Line.	This article could be removed.
17.1	The Ethiopian Shipping and Logistics Services Enterprise (ESLSE) and or any other sub-contracted shipping company or operator shall be designated as the multimodal and/or unimodal transport operator for Ethiopia's import and export cargo, provided that it does not contradict Article 12 and Article 22 of this Agreement.	This means that ESLSE, or the shipping lines that are subcontracted to ESLSE, meaning the shipping lines ESLSE charters slots from, will be given a monopoly on provision of shipping into the port of Berbera	This article could be removed.
17.2	The ESLSE shall contract the port operation and inland transportation of cargo under a multimodal and/or a unimodal transport system to inland transport operators on the basis of open tender to be floated in Addis Ababa and Berbera	This means that ESLSE will control the road freight to and from the port and that all road freight operators will be sub-contracted to ESLSE and paid in Ethiopian Birr.	This article could be removed.
17.3	The parties shall respectively apply the Customs Transit Protocol and implement the COMESA Single Administrative Document for customs transit declaration	The other option is to implement the Tripartite Transport and Transit Facilitation Programme (TTTFP) which Ethiopia has already signed up to and is implementing.	This could be changed to incorporate the Cross-Border Road Transport Agreement and keep this in line with the AfCFTA Trade in Goods Protocol and its annexes.
17.4	The authorised banks of both parties shall recognise and adopt payment mechanism under a multimodal and/or unimodal transport system	It is unclear why there is a need to authorise banks and it has been proposed that the Ethiopian versions of the multimodal and unimodal systems are rejected	This should be removed
17.5	The parties shall establish a comprehensive directive that governs liability of trucking companies	The proposal is for trucking to be provided by private sector companies or service providers who will work with in laws of Ethiopia and Somaliland.	The TTTFP addresses road transport challenges through implementation of harmonised road transport policies, laws, regulations, systems and standards that affect drivers, loads, vehicles and road infrastructure.
18	Documents required for transit cargo	The documents at Annex 2 are referred to but there is no Annex 2 with the signed document	Documents required for transit cargo should be those developed under the TTTFP
22.2	The allocation of share of inland transport between the Ethiopian and Somaliland truckers shall be based on equal and equitable share, subject to review by the Joint Operating Committee	This is not possible unless Somaliland truckers accept the rates paid by ESLSE for multimodal imports and accept to be paid in Ethiopian Birr	The favoured option would be to move from a quantity arrangement to a quality arrangement, meaning that any trucker who meets the vehicle regulation standards and driver regulation standards, should be allowed to provide his/her services.

Art	Content of the Article	Interpretation of the Article	Comments
22.3	The Port of Berbera shall provide vehicle parking and resting areas for Ethiopian truckers at a place located nearby the Port of Berbera. The Ethiopian side will provide reciprocity	It is not the responsibility of either the Port of Berbera, or the Government of Ethiopia, to provide truck parking	This article could be removed.
23	Freight transport agreements and/or contracts shall be signed between the transport operator and the shipper, and such contract shall be construed in and governed by the law of the country where the contract has been concluded	This is a normal commercial transaction and does not need to be mentioned in the Port Utilisation Agreement	This article could be removed.
27	In order to maintain good road links between the parties for cargo transit they shall strive to constitute the joint road fund. Its implementation detail will be arranged by the Joint Operating Committee	This seems an over complicated way to ensure road maintenance is carried out. Each country is responsible for maintenance of their own road infrastructure and should charge foreign trucks a road user charge	This article should be replaced with details on how road user charges will be implemented.

Annex 4: Briefing Note: Article 50 - Establish Single Customs Service Territory

The movement of cargo depends on documents/information and financial flows. As the inflows and outflows of foreign trade cross territories of other countries, the customs formalities and procedures of different countries pose major obstacles. In order to coordinate each country's customs authorities; a collaborative program will be implemented for the establishment of a single customs territory in a long-term. The territory will facilitate the transit procedures for ensuring efficient flows of cargo.

Customs unions are trade agreements in which parties to such an agreement agree to provide each other with trade benefits such as no tariffs on trade in goods within the customs union. Parties to a customs union allow free trade on products moving between countries within the customs union, so no tariffs on goods moving between Ethiopia and Djibouti as they are part of the same customs territory. This means that Ethiopia and Djibouti would have a common external tariff (CET) on all imports from the rest of the world.



Customs unions are regarded as a deeper form of economic integration than a free trade area and usually progress from a working free trade area.

A customs union removes the need for 'rules of origin, which are necessary to determine where goods originate from and so determine the tariff rate applied on imported goods. In a customs union there is a CET applied to all imported goods and then free movement of goods within the customs territory so no need a to determine where goods originate from.

Members of the World Trade Organisation (WTO) can set-up a customs union in accordance with Article XXIV of the General Agreement on Tariffs and Trade (GATT).

Under WTO agreements, members² cannot

normally discriminate between their trading partners. Article XXIV of the GATT (and Article V of the General Agreement on Trade in Services) allow for the creation of FTAs and customs unions subject to certain conditions. This is a departure from one of the fundamental principles of the WTO and the multilateral trading system, which is the Most Favoured Nations (MFN) treatment which means that all WTO members must not discriminate against any other WTO member and so must treat all WTO members equally.

The advantages of a customs union are that it facilitates trade. Although national borders and border checks are in place, for national safety, compliance and security reasons as well as facilitating the collection of taxes other than customs duties (although best practice is that these taxes are collected either at source or at destination), in a well-functioning customs union goods and passengers do not stop at the border, except those deemed to be high risk.

The disadvantages of a customs union are that:

- The member countries of the customs union do not have independent control of their tariff book so cannot change the tariffs charged unless the other members of the customs union agree to this change. Each country, therefore, loses some control of what is, for most LDCs and developing countries, an important fiscal tool.

² Although Ethiopia is not a WTO member it is in accession and needs to comply with the legal and regulatory provisions of the WTO. In any case, Djibouti is a member of the WTO and any customs union it enters into must be compliant with Article XXIV of GATT.

- Customs unions focus on tariff aspects of trade in goods and the free circulation of these goods in a customs territory. Customs unions do not (usually) address trade in services aspects and do not facilitate trade in services or the removal of non-tariff barriers.

Arguably the most successful customs union has been the European Union's customs union, which is based on four principles:

- no customs duties at internal borders between the EU member states;
- common customs duties on imports from outside the EU;
- common rules of origin for products from outside the EU;
- a common definition of customs value

The EU's single market is an extension of its customs union. The single market was first introduced in the Treaty of Rome, which came into force in 1958. The Treaty aimed to create a "common market", covering the whole territory of the then European Economic Community. The common market required members to commit to the free movement of goods (i.e. a single external customs tariff and the abolition of duties between member states). It also included provisions on the free movement of capital, services and people which goes beyond a typical customs union. This is at the core of the internal market.

Recommendation for the National Logistics Strategy

The establishment of a Customs Union is a trade policy issue and not a logistics implementation issue. For the last 20 years Ethiopia has resisted joining the COMESA Free Trade Agreement because of fears of loss of market to other COMESA countries. Ethiopia is now starting the process of joining the AfCFTA and deposited its instruments of ratification with the AUC in April 2019. To move to a Customs union before Ethiopia has any experience of even the lowest level of integration seems premature.

A Customs Union is not a trade facilitation instrument and improved trade facilitation between Ethiopia and Djibouti can be more effectively achieved with the establishment of the Djibouti Corridor Management Authority and implementation of the Tripartite Transport and Transit Facilitation Agreement; the Trade Facilitation Agreement; and the AfCFTA trade in Goods Protocol.

The establishment of a Customs Union with one other country, which Ethiopia has extremely limited trade with, would involve a lot of preparation for little gain. Excluding transit traffic, Ethiopia exports mainly khat, food and livestock and imports almost nothing in return.

It is recommended that the establishment of a Customs Union be delayed until after Ethiopia has started to implement the AfCFTA and possibly the COMESA FTA.

Annex 5: Briefing Note: Privatisation of ESLSE

The Government has been examining ways in which the performance of ESLSE can be improved through a privatisation process, in particular, through entering into a minority joint venture with an international service provider of logistics or transport. Currently, ESLSE owns and operates a fleet of 11 ships and over 600 trucks. However, it cannot automatically be assumed that privatisation of ESLSE will necessarily lead to more competition in the logistics sector. Sequencing is important and, before the logistics services market is opened up, the constraints faced by ESLSE in providing an efficient end-to-end logistics service, including access to foreign exchange, a regulatory environment that makes it possible to introduce competition in the logistics sector, and the freeing up of ESLSE from being managed as a parastatal, need to be addressed.

If ESLSE was immediately privatised and the FOB Directive³ was rescinded and ESLSE was not able to provide a multi-modal service, it is unlikely that the private sector would be able to provide similar services immediately. The main reasons for this can be attributable to access to foreign exchange; capacity issues of the private sector and the regulatory environment.

If ESLSE is privatised it is foreseeable that the privatisation process will need to break ESLSE into its component parts. Privatisation of the Dry Port services is already underway, and the current recommendation is for government to retain ownership of the dry port infrastructure that it has paid for and allow the private sector to offer logistics services in the dry port.

How the transport and shipping components can be privatised will depend on whether or not ESLSE will retain its monopoly on offering multimodal services. A company interested in buying, or buying into, or managing, ESLSE will value ESLSE either on future earnings or on asset value. If ESLSE retains its multimodal monopoly, which is contrary to the Ethiopian government's main policy objective underpinning GTP, then the value of ESLSE is large and there will undoubtedly be many multinationals interested in owning all, or part, of ESLSE, or managing ESLSE. If, however, ESLSE does not retain its multimodal monopoly, then the value of the company is the value of its assets, which are 11 ships and 600+ trucks. The estimated asset value of ESLSE, based on sale of its ships and trucks, would be in the region of US\$140 million to US\$160 million.

One way to consider privatising ESLSE is to launch it as a NVOCC that is government owned but has its own management that is firewalled from government influence or interference. ESLSE, as a privately managed company, would be able to offer freight forwarding and NVOCC services internationally, starting nationally and regionally. At the same time as this happens, the FOB Directive could be restructured to allow competition, under specific conditions, under the multimodal system. At the same time the IMB NVOCC Register could be introduced. This would ensure that there is continuity in the Ethiopian import system (NBE could still issue forex to ESLSE as a state-owned enterprise and private sector companies under specific

What is a NVOCC?

An NVOCC is a common carrier that provides ocean transportation, issues its own bill of lading or equivalent document, and does not operate the vessels by which ocean transportation is provided and a shipper in its relationship with the vessel-operating common carrier involved in the movement of cargo. More specifically, NVOCC activities may include but not restricted to:

- concluding contracts of international carriage of goods with the shippers as carriers;
- receiving cargo and delivering cargo as carriers;
- issuing bills of lading (usually a House Bill of Lading) or other transport documents;
- collecting freight and other service charges;
- booking space and arranging shipping with mainline carriers;
- paying port to port transportation freight or other transportation charges; and
- consolidation and deconsolidation of containers either using own CFS or 3rd party.

³The FOB Directive, in essence, states that imports financed through Ethiopian commercial banks are under the control of ESLSE using Incoterms FOB (meaning that the buyer, not the seller, pays freight charges). A waiver can be given if ESLSE does not provide a service to the port of collection, in which case the Ethiopian commercial bank will open a LC on cost and freight terms, with insurance still provided by the Ethiopian Insurance Company.

conditions) until such time as access to forex is unrestricted and other companies offering NVOCC services can enter the market.

Under the multimodal system the above processes are all done by ESLSE, and all these processes are paid for by the importer to ESLSE, in Birr, at the end of the import process, which is the time the goods are collected by the importer from the Ethiopian bonded inland container depot (or bonded warehouse). This means that the importer pays all duties and taxes of equivalent effect and costs of shipping, transport, warehousing, port handling and insurance at the end of the process.

ESLSE's performance is not as efficient as it could be across all areas of operation, sometimes for reasons beyond the control of ESLSE, including access to foreign exchange. ESLSE's areas of operation include shipping, freight forwarding and terminal and port operations. A modern multi-purpose multi-service sector that delivers efficient intermodal connectivity and provides a wide range of logistics and value-added logistics services will require the participation of a variety of logistics service providers beyond ESLSE. The opening of the market to the private sector for the provision of logistics services could become a main driver for the enhancement of the quality of logistics services and the reduction of logistics costs and contribute to improving the international competitiveness of the Ethiopian economy and result in a boost in exports.

The challenges in implementing this system are as follows:

- **Access to foreign exchange:** In the "SHIP" component of the UN/CEFACT BUY-SHIP-PAY model, the importer would normally be expected to pay for services when these services are provided. Therefore, normally, the importer would be expected to pay for stuffing a container, shipping costs (costs of a container slot on a vessel), port charges at Djibouti, transport charges from Djibouti to the final destination, customs duties and all charges of equivalent effect, and dry port and warehousing charges at the time the services are provided and in forex. The challenges faced by Ethiopian importers is that they may not get access to foreign exchange through the National Bank of Ethiopia (via their commercial banks) and, if approved, they don't know when they will get access to forex. Therefore, importers are not able to book shipping container slots in advance, pay for port charges, and pay for other services that require forex payments. However, ESLSE, as a freight forwarder and agent for the importer, can circumvent some of these challenges by block-booking container shipping slots (because they benefit from economies of scale), arranging payment terms with the Djibouti Port Authorities and by absorbing costs of demurrage. It is also possible that the shipping and storage costs charged by ESLSE are not the full costs, so it is also possible that ESLSE offers subsidised shipping, transport and storage costs to Ethiopian importers using the multimodal system.
- **Capacity constraints.** The process of providing freight forwarding and clearing services using a through bill of lading from origin to destination is a complex process and requires a skilled and knowledgeable staffing complement and an institutional structure with contacts and agents in many countries in the world. This is something that is out of reach of private sector Ethiopian freight forwarders and clearing agents and, currently, the only companies that would be able to offer a comparable service to ESLSE would be foreign companies. Whether these foreign companies would offer a multimodal service under the same conditions offered by ESLSE (i.e. at the same price and all payments in local currency) is highly unlikely, at least in the short term.
- **Regulatory Issues:** The service provided by ESLSE under the FOB Directive is probably closest described as a non-vessel owning ocean common carrier or NVOCC. In Ethiopia's case, ESLSE is the only authorised NVOCC and, as a parastatal, is regulated through the FOB Directive. There is no international regulatory body to register, control or regulate NVOCCs and the International Chamber of Commerce's International Maritime Bureau (IMB) estimates that over 95 percent of all improperly issued Bills of Lading around the world are issued by NVOCCs. These incorrect NVOCC bills of lading are then presented to banks and other stakeholders in the trading and finance chain, with the aim of defrauding the trade finance system, introducing the risk of multiple financing, money laundering, etc. To counteract this potential fraud, IMB is inviting international NVOCCs to sign up to its NVOCC Register. In doing so they will also have to sign up to a Code of Conduct for the issuance of bills of lading. Failure to comply with the Code of Conduct may result in the removal of the

NVOCC from the Register in certain circumstances. If the FOB Directive is rescinded, then there will need to be some form of regulation to ensure that NVOCCs conform to certain standards and signature of the IMB NVOCC Register⁴ may be a good start.

⁴<https://icc-ccs.org/index.php/1299-imb-nvocc-register-a-business-solution-to-a-business-problem>

Annex 6: Draft High-Level MOU:Djibouti Corridor Management Authority

DRAFT MEMORANDUM OF UNDERSTANDING

(Hereinafter referred to as “the MoU”)

between

THE GOVERNMENT OF THE REPUBLIC OF DJIBOUTI

and

THE GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

CONCERNING THE ESTABLISHMENT AND IMPLEMENTATION OF
A TRANSPORT AND TRANSIT CORRIDOR MANAGEMENT MECHANISM

REVISION 1

WHEREAS the Government of the Republic of Djibouti and the Government of the Federal Democratic Republic of Ethiopia (singularly herein referred to as “the Party” and jointly as “the Parties”);

ENJOINED as Member States of the Intergovernmental Authority on Development hereafter referred to as “IGAD” and the Common Market for Eastern and Southern Africa hereinafter referred to as “COMESA”;

HAVING REGARD to the relevant objectives and commitment set forth in the Africa Continental Free Trade Agreement Protocol on Trade in Goods;

HAVING REGARD to the COMESA-EAC-SADC Tripartite Transport and Transit Facilitation Programme and in particular the Vehicle Load Management System and the Multilateral Cross-Border Road Transport Agreement;

GIVING EFFECT to the decisions by the various policy organs of the African Union and the Regional Economic Communities (RECs) urging States to implement trade, transport and transit facilitation measures;

BUILDING ON the intent and objectives enshrined in the Ethio-Djibouti Port Utilization Agreement and the Multimodal Transport Bilateral Agreements;

CONVINCED of the need to:

- a) reduce the time and costs of shipping cargo through Djibouti Ports;
- b) implement the trade, transport and transit facilitation provisions of the Africa Continental Free Trade Agreement Protocol on Trade in Goods;
- c) implement the COMESA-EAC-SADC Tripartite Multilateral Cross-Border Road Transport Agreement;
- d) implement the COMESA-EAC-SADC Tripartite Vehicle Load Management System;
- e) enable expeditious and more effective border controls including establishing one-stop and no-stop border posts where appropriate;
- f) enhance overall trade, transport and transit facilitation mechanisms including, but not limited to, improving port performance, improving road and rail transit and transport operations on the Ethiopia-Djibouti Corridor, ensuring the smooth flow of cargo and information between Ethiopia and Djibouti, and improving the performance of the Ethiopia-Djibouti railway;
- g) enhancing specific trade, transport and transit facilitation mechanisms including, but not limited to, establishing and implementing a Single Administrative Document, a common pre-clearance and post-audit

system, an authorised economic operator system, a common electronic cargo tracking mechanism, a harmonised cargo risk assessment system, a common vehicle load management system and harmonised vehicle standards;

- h) extend the application of national laws relating to border controls of each Party in the other State thereby enabling border controls Officers of each Party to perform statutory functions outside their national territory;
- i) maximise the use of Information and Communication Technology to enhance the easier and speedier undertaking of controls and sharing of border controls data between the Parties' border controls Officers;

MINDFUL of the principles of international law governing relations between States;

MINDFUL of the best-endeavour nature of this Memorandum of Understanding, meaning that it is not a legally binding document, but rather shows the intent and interest of the two Parties to create a seamless import and export cargo transit and transport system to be establish along the Ethiopia-Djibouti Corridor.

NOW THEREFORE, the Parties have agreed as follows:

- For the two Parties to renew cooperation efforts to improve trade, transport and transit facilitation between the two Parties and in particular on the Ethiopia-Djibouti Corridor;
- For each Party to establish a working group that will meet on a regular basis to design and agree on mechanisms to facilitate trade, transport and transit along the Ethiopia-Djibouti Corridor;
- For the Ethiopia Maritime Affairs Authority to coordinate and lead the activities of the Ethiopia national working group;
- For [Djibouti Ports and Free Zone Authority] to coordinate and lead the activities of the Djibouti national working group;
- For each Party to determine which stakeholders to co-opt onto the national working groups but to ensure that there is representation from the private sector, from Customs, from the Ministries responsible for trade, transit and transport policy and from state-owned enterprises providing services in the shipping, surface transport, freight forwarding and ICD sectors;
- For the two national working groups to meet every three months, with the first joint meeting to be held in Djibouti in September 2021 and for the second joint meeting to be held in Ethiopia in December 2021;
- For the two Parties to agree and sign the Multilateral Cross-Border Road Transport Agreement, a single Axle Load Management System and a Bilateral One Stop Border Post Agreement by 31st December 2021.

- By 31st December to have established the Djibouti Corridor Management Authority, comprising the Interstate Council of Ministers; the Executive Board; the Stakeholders Consultative Committee, (SCC); the Stakeholders Representative Group (SRG); and Technical Working Groups;
- By 31st December to have established a Permanent Secretariat and to have agreed a location for the Permanent Secretariat;
- By 31st March 2022 to have agreed on a time-bound work plan and an associated budget for the Berbera Corridor Management Authority which will include:
 - o designing and implementing trade, transit and transport facilitation programmes that will significantly reduce the time and cost of moving goods between Modjo Dry Port and Djibouti Port and which are in compliance with the provisions of the Trade Facilitation Agreement and the Africa Continental Free Trade Agreement Trade in Goods Protocol and its Annexes;
 - o designing and constructing infrastructure that will support a seamless transit and transport system along the corridor and not result in unnecessary delays and stoppages;
 - o developing performance targets for the corridor and monitoring performance; and
 - o developing and implementing strategies to market the corridor.

IN WITNESS WHEREOF, the undersigned being the duly nominated and authorised representatives of the Government of the Republic of Djibouti and the Government of the Federal Democratic Republic of Ethiopia

**For and on behalf of the
Government of the Republic of Djibouti**

**For and on behalf of the Government of
the Federal Democratic Republic of
Ethiopia**

Date: _____

Date: _____