

Federal Democratic Republic of Ethiopia

National Logistics Strategy

(2018 – 2028)

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Addis Ababa, Ethiopia



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The National Logistics Strategy, upon its effective implementation, is believed to transform fundamentally the country's trade logistics sector and produce a radical positive impact on the Country's foreign trade proceedings. Ethiopian Maritime Affairs Authority (EMAA) has taken the lead and responsibility of preparing this strategy document. Mr. Mekonnen Abera, Director General, EMAA deserves special acknowledgement for taking the initiative, and for closely monitoring as well as coordinating all activities in the course of the development of the National Logistics Strategy.

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Preface

The Government of Ethiopia has pursued an economic development policy that focused on massive public and foreign driven investment. The country enrolled the implementation of the Growth and Transformation Plan (GTP) since 2010, aiming at realizing the national vision of becoming a middle-income country by 2025. Ethiopia has been, thus, registering one of the fastest growing economies in the world with an average gross domestic product (GDP) growth of rate of about 10 percent per annum¹.

The economic growth in recent years has brought about a rapid increase in volume and type of the country's import–export trade. The country's logistics systems, however, are still at the early stage of development compared with the global best practices, and have not adequately enabled the country's international trade competitiveness. The logistics performance indicators reported by the World Bank have shown that Ethiopia has been one of the least performing countries in the world. This has been, particularly, characterized by high freight transit time, longer cargo dwell time as well as ship's turnaround time in ports. The acute capacity limitation has hindered the accommodation of the increased trade cargo flows.

The Ethiopian Government has recognized the trade logistics service as a major impediment, and has considered the improvement of this enabling service as a core perspective of the country's economic development. A comprehensive National Logistics Strategy (NLS) has, thus, been developed for implementation in order to address the shortcomings, and transform the country's trade logistics sector.

¹Shiferaw, A., 2017. Productive Capacity & Economic Growth in Ethiopia. UNDP CDP Background Paper, 34, p.24.

The NLS serves as a roadmap for structural reforms, effective coordination, development of logistics infrastructures, and delivery of quality services. These endeavors will facilitate to transform the sector to a higher level and subsequently the achievement of the national development goals.

The strategy document is organized under four sections. Section one discusses background and importance of the NLS, the alignment of national logistics strategy with other national policies and strategies as well as the methods employed in preparing the strategy document. Section Two presents the challenges and corresponding root causes of the current logistics services along with basic logistics performance indicators. Section Three provides the strategies; vision, goals, and objectives along with the corresponding sub strategies and interventions identified to transform the sector. The last section identifies different stakeholders (i.e., government, private sector, development partners /donors) that have roles in the course of implementation of the strategy.

Message

from Her Excellency Minister, FDRE
Ministry of Transport



Mrs. Dagmawit Moges
FDRE Ministry of
Transport

Logistics is the backbone of creating connectivity of economic, social and prevailing political realities of a given country with the rest of the world through trading transactions. The global trade volume has increased from time to time over the last decades. The global seaborne trade volume in 1968 stood at 2.6 billion metric tons; after 50 years i.e. in 2018 the seaborne trade volume has climbed to 10.7 billion metric tons.

Transport in particular and logistics in general have played key roles in moving such huge trade volume from origins to destinations. Unless logistics is managed through proper planning, with the utilization of well-developed infrastructures, by employment of transparent and comprehensible legal frameworks, and by deployment of trained human resource as well as

state-of-the art technology; it can be one of the dwindling factors against the development of the economy.

Ethiopia's foreign trade volume has also increased over the past years, in line with growth trend of the global trade. In 1991, the Country's foreign trade was 1.3 Million tons and in 2018 it reached 12.5million tons. The development of the Country's logistics service has not, however, matched the demand of the trade. Poor infrastructure, inadequate transport service, limitations in trade financing, inefficient transit and corridor services, cumbersome customs procedures and non-deployment of trained human resource and very low ranking against world logistics performance indicators depict that the country's logistics sector is utterly underdeveloped.

It has, therefore, become imperative and a priority for the Government to give a strategic leadership to the sector. I am confident that all stakeholders in the government and partners in the private sector as well as in international organizations will render their unwavering support for the success of the implementation of the strategy. I take this opportunity to assure that the Ministry of Transport will take the lion's share of responsibility and will do its utmost to follow up and offer due support in the course of implementation of the strategy.

I thank you!

Let us all endeavor to implement the strategy holistically!

Message

from Director General, Ethiopian
Maritime Affairs Authority



Mr. Mkonnen Abera
FDRE Director General,
Ethiopian Maritime Affairs
Authority

The preparation of the national logistics strategy document and its endorsement by the Government are commendable measures and breakthroughs as the strategy facilitates to lead the sector with clear vision, objective and direction. I believe that it is a great leap forward to come out of a vicious circle that had gripped us to engage ourselves in lengthy deliberations and analysis about logistics services and related challenges and issues for over too long a time, and now that we are moving forward to uphold the agenda of implementing programs to transform the logistics sector.

It is noteworthy here that endorsement of the strategy document by the Government is not an end in itself. This does not give the guarantee to transform the country's logistics system. Transformation is the outcome of

an action. The goal, therefore, should be to register outcomes by eradicating ailments of the system by implementing solution bearing programs. The implementation process reminds me of one proverb: *"The main thing is to make the main thing main"*.

Accordingly, the implementation phase of the national strategy requires a competent organizational set up to that can discharge its responsibilities effectively.

In this regard, ministerial offices and institutions shall fulfill their due share of the strategy implementation, and a high- level strategic leadership will be set up to direct and coordinate the implementation programs by re-instating commitment and discipline upon the actors. On the other hand a logistics transformation office will be set up with duties of conducting researches and studies on the interventions in the strategy, and converting them into programs and projects for implementation.

The Ethiopian Maritime Authority hereby commits itself to discharge its responsibility of organizing the logistics transformation office with skilled and competent professionals from the academia and the industry.

I thank you!

Part one:

Purpose and Bases of the Strategy

This Section presents the reasons for developing the NLS, its significance and the need for alignment of the strategy with national economic development policies and strategies.

1.1. Purpose of the Strategy

The National Logistics Strategy has considered four major issues as bases for its development. These are addressed as here under:

1.1.1 Enable National Development

Ethiopia has registered an accelerated and consistent economic growth in recent years. Logistics plays an important role in enabling a rapid economic growth to ensure sustainable development. Yet, the country has experienced poor logistics performance against basic logistics performance indicators. This has become one of the hindrances to attract investment and a bottleneck for trade competitiveness of the country.

It has become imperative to transform the country's logistics system to a higher level to enable the logistics to play a significant role in facilitating the smooth flow of the country's international trade. In this regard, reforms have become dire and urgent as ships carrying Ethiopian import cargo are staying for months at anchorage of destination ports thereby incurring huge logistics costs to the country. This has become not only a bottleneck for international

trade competitiveness but also a cause for misunderstanding with development partners and operators, thereby negatively affecting bilateral relations. Creating an enabling logistics sector for the country's economic development has, therefore, become one of the driving factors for the development of this NLS.

1.1.2 Control Avoidable Logistics Cost

Following Ethiopia's rapid economic growth in recent years, the cargo flow has increased. At the same time, the country's logistics expenditure has also increased. The avoidable logistics cost due to inefficiency constitutes a higher share of the national logistics total cost.

For instance, the Ethiopian government imports on average 2.5 to 4 million tons of dry bulk cargo (grain, fertilizer, coal, and sugar) annually. The Country spends about ETB 6 Billion on average for sea transport, port service and haulage to inland destinations.

Moreover, suppliers impose USD 10 per day for ship demurrage for staying at anchorage beyond the grace period. Suppliers and carriers are aware of the poor scenarios in logistics at the destination ports and their imposition of high demurrage rates arise from the poor logistics performance. This indicates how the country is not able to control such avoidable costs.

Generally costs for transport, port handling, transaction and storage services as well as container demurrages and maintaining inventories are on the high side. This implies that the country is bearing unnecessary and avoidable logistics costs. Studies show that the logistics costs of countries vary but they are estimated to be in the range of 14-35% of the GDP of each respective country.

It is important to acknowledge that logistics cost is a major national expenditure and it should be properly managed to eliminate

avoidable costs. Let alone at a national level, even corporates are forced to control their expenditure by giving due attention and dedicating resources to manage it. Control of the national logistics expenditure is, thus, an important cause for the development of the NLS.

1.1.3 Provide Systemic Logistics Solutions

Logistics is a chain of multiple nodes, entities, players, processes and outcomes. The causes for inefficient logistics systems at operational and strategic levels are many and scopes vary depending upon how the chain is integrated and managed. Lack of proper set up of frameworks for integration of players (including regulatory bodies, logistics infrastructure developers, government and private operators, importers/exporters, customs clearing agents, freight forwarders, non-government organizations, and other logistics service providers), cross-border issues such as customs, information sharing, ICT infrastructure, etc. are some of the causes contributing to logistics inefficiency which need to be addressed through in-depth analysis. This strategy pursues an integrated problem-solving approach to address the operational and strategic issues entrenched in the current logistics system in order improve its performance and ultimately transform it. This strategy document has, thus, been prepared to serve as a comprehensive and systemic solution in the transformation process.

1.1.4 Provide Direction and Leadership

Logistics management involves the seamless coordination of the flow of goods and services, utilization of infrastructures and superstructures as well as human resources and systems. This implies that logistics management requires an effective coordination of different stakeholders and systems. It also requires strong commitment and follow up. In this regard, the national logistics

management falls short of applying sound analytical techniques and lacks the proper understanding of its scope. Various actors and stakeholders pursue their own respective approaches and analysis towards the challenges facing the logistics sector. This vividly demonstrates that a responsible and accountable body with clear mandate and scope to manage the sector is not in place. Vital services like sea port utilization are not managed with clear direction, vision, policies and strategies.

Fore stated and other similar shortcomings have compounded the challenges facing the logistics system of the country. Addressing these shortcomings by developing this strategy makes it imperative.

1.2 Alignment of the Strategy with National Policies & Strategies

The government of Ethiopia has been implementing a number of development policies and strategies to sustain the country's rapid economic growth, bring about significant improvements in the livelihood of its citizens, and build democratic system. Effective implementation of different national development agendas requires the creation of enabling environments from different relevant sectors particularly from the logistics sector. The logistics sector will have a key contribution in the realization of different national development policies and strategies. It is appropriate to give due emphasis on planning and implementing efficient logistics strategies with respect to other national plans. The need to align the logistics strategy with the other national development policies and strategies is presented as here below.

1.2.1 Industrial Development Strategy

The Ethiopian Government has developed and implemented an industrial development strategy since 2002 by adopting the following principles: accepting the private sector as the engine of industrial

development, pursuance of agricultural led industrialization, adherence to export oriented industrialization, focus on labor intensive industrial development, coordination of national and foreign investment, provision of strong government leadership in industrial development, mobilizing the people to support the industrial development and creating conducive environment for industrial development and investors(fight rent seeking, create conducive and stable macroeconomic milieu, create favorable financial system).

The industrial development strategy emphasizes availing adequate infrastructures and services related to road, railway, air, telecommunication, electric power, and water supply as well as land to investors.. The development strategy also emphasizes the availing of direct rendering of support and management to investors. The significance of the trade and transport logistics is also sighted. As a result, the logistics strategy will have greater significance to the success of private investors engaged in the industrial development. Investors who are engaged in manufacturing goods within industrial parks can find it difficult to be competitive unless they are provided with improved logistics services particularly in terms of delivery of raw materials from domestic and international markets at the right time and at reasonable logistics costs. Further to this, there are a number of giant industrial projects undertaken in the country such as fertilizer and sugar factories, power supply projects and other agricultural transformation programs. Logistics will play a significant role in accomplishment of the industrial development projects both by government and private investors within schedules and allocated budgets. Thus, the Logistics Strategy is believed to pave the way for facilitating the implementation of the country's industrial development strategic plan

1.2.2 Rural and Agricultural Development Policy

Rural and agricultural development policy of Ethiopia under implementation is the key to the country's rural development and growth in agricultural productivity. This policy is of high importance for the country's development with focus on market-oriented agricultural development, improved rural financial system, and strong participation of the private sector. Logistics plays a critical role by connecting rural areas and improving the accessibility of agricultural inputs and products to markets. It is important to ensure strong integration between industrial and agricultural developments. In this regard, logistics connects agricultural areas with industries by forging a transaction for delivery of agricultural outputs as input for factories, and also delivery of industrial outputs as input for agricultural developments at competitive prices and in timely manners. Thus, preparing and implementing a comprehensive logistics strategy will facilitate the implementation of agricultural and industrial strategies in mutually interdependent and integrated manners.

1.2.3 Urban Development Policy and Strategy

The Ministry of Urban Development and Housing has prepared a number of urban development policies and the same were approved by the Government. The policies focused on the improvement of the quality of life urban citizens, making cities clean and green, and the provision of adequate transport infrastructures and others. The most relevant urban development policies having strong integration with transport logistics are presented below.

1.2.3.1 Urban Housing Supply Strategy

The development of urban areas and development of new urban centers or the expansion of rural areas into cities have made it difficult for many of our cities to cope up with the wide range of problems.

Among several problems in urban areas, shortage of housing is one and the most pressing.

Housing is one of the basic needs and rights of citizens, and homelessness is considered as one of the manifestations of poverty. Federal and regional governments and city administrations have taken various steps to address the problems in urban areas. As a result, an integrated housing development program has been implemented since 1999 in Addis Ababa and since 1999/2000 in regional cities. However, the construction of houses has not reached the desired level; there is a wide gap between demand and supply. Although there are many reasons for this gap, shortage of construction inputs and the inadequate capacity of construction are among the main challenges. To this end, inefficiency of the country's logistics process manifested by inadequate capacity to fulfill the transport demand has also become barriers in the achievement of housing construction objectives. As a result, Urban Housing Development Policy has set out to expand a modern logistics system i.e., city logistics. City Logistics is an engineering science which is a new development at national as well as international level. Giving special attention to this sector will significantly enhance the smooth flow of goods, traffic, and increase mobility in urban areas. Thus, the logistics strategy will play a major role in meeting such key national policies.

1.2.3.2 Urban Planning and Implementation Strategy

Next to the people who are living in cities, urban land is one of the major and most powerful resources to accelerate development in cities. Urban plan should be prepared with focus on proper utilization of land in coordination with social-economic development plans of the country, the regions, trading corridors, and other centers.

In urban planning, it is important to ensure that the plan gives considerable emphasis on the urban economic status. While properly utilizing an urban land, 30% can be used for green and public services, 30% for roads, terminals and other infrastructures developments, and 40% for building (residential, workplaces, etc.). Among the problems related to the implementation of this strategy, logistics centers are still major areas of requirements for urban to urban integration in terms of trade, transport, industry and other common and related issues. Thus, this Strategy will ensure proper logistics infrastructure developments that will create effective urban connectivity by taking in to consideration of the country's urban development plans.

1.1.4 Foreign Affairs and National Security Policy and Strategy

FDRE foreign affairs and national security policy give priority for the attainment of peace, speedy economic development, and democratization. One of the focus areas for the country's economic diplomacy is providing efficient and reliable transit and transport corridors to our country's import and export trade. While considering Ethiopia's relations with other countries, it is important to begin with the country's neighbors in the Horn of Africa, namely Sudan, Eritrea, Djibouti, Somalia, South Sudan, and Kenya. These countries have long-standing links with Ethiopia in such areas as language, culture, history, natural resources, and so on. In this regard, the country's foreign affairs policy specifies formulation of an appropriate policy towards forging strong ties with neighboring countries. The country's economic growth needs proper seaport services from its neighbors.

Therefore, port services shall be delivered in an effective manner, given the economic shared interests. In a long-term, port services demand may significantly increase as a result of neighboring transit countries development growth. This leads to the formulation of a policy for port services. Therefore, the Strategy includes a number of

interventions that need to be implemented in short and long terms regarding the use of additional transit corridors or seaports.

1.1.5 Growth and Transformation Plan II (GTP II) (2015/16-2019/20)

Ethiopia has set the goal of becoming a middle income country by 2025. In line with this, the 2nd Growth and Transformation Plan (2015/16-2019/20) states agriculture as the main driver of the rapid and inclusive economic growth and development. It also focuses on the expansion of irrigation-based agriculture, horticulture, fruits and vegetables, livestock and fisheries. It also sets out to redress macroeconomic imbalances. This imbalance has been created mainly from two perspectives. These are investment-saving gaps and deterioration of trade balance as import growth surpassed export growth.

The Government of Ethiopia (GoE) has identified the logistics as one of the key economic sectors for the realization of national poverty reduction strategy, and for raising trade competitiveness. To this end, various efforts have been exerted by GoE to improve the logistics system, yet the logistics services in Ethiopia are still at the early stage of development when viewed against the global best practices.

Accordingly, the 2nd GTP has set out the following direction in terms of improving the logistics sector.

To ensure integrated transport and logistics service, special focus has to be given to transport infrastructure developments. Significant investment has been carried out in terms of road, aviation and air transport, maritime transport and maritime services, and most recently railway transport. The transport and logistics sector is endeavoring to further demonstrate a fundamental change in the future. With respect to the high level overall capacity required by the sector, the logistics sector should be guided by a clear vision

and integrated logistics strategy or a master plan. As a result, the logistics sector will play a major role in increasing logistics service efficiency and adaptation of an integrated system that will reduce the cost of transportation, as well as building private sector capacity. In addition to increasing agricultural production, it is expected that the expansion of rural economic bases will ensure supply of industrial inputs. This requires ensuring effective linkage between rural-urban areas. This strategy gives a special focus for increasing access to rural areas and creating efficient linkage of rural Kebeles and Koredas with major market centers.

In accordance with the 2nd GTP, the Strategy gives special focus and directions on the following issues: ensure that domestic dry ports provide quality and efficient services that will contribute positively to the economy; improve the capacity and quality of transit corridors and transport infrastructures which are utilized for import and export trade; since road traffic safety is one of the main problems in the country, it is essential to ascertain that road designs consider road safety to bring fundamental changes to the locality, improve the transport management system, ensure quality and efficient cross-border trade facilitation, enhance rural and urban transport service; ensure that the development of road, rail, sea and air transport systems are carried in a coordinated manner; and reflect several dimensions as well as cross-cutting issues on the expansion of transport infrastructural developments and services.

The maritime transport and other related logistics services play key roles in supporting the implementation of the country's manufacturing industrial transformation and export oriented growth plans. It is important to build a modern information system in the maritime sector. With this regard, the logistics strategy emphasizes the need of ensuring modern information and communication systems that will make the end to end operations visible to shippers, logistics service providers, and cargo owners through sharing tracking and

tracing information in real-time about cargo location and logistics operations such as that of shipping, port, and warehousing activities.

Therefore, the logistics strategy is prepared in line with the realization of the 2nd GTP, particularly in relation to the establishment of a reliable and cost-effective logistics system to support export-oriented industries, to ensure the supply and delivery of agricultural inputs and outputs to market centers in timely and cost competitive manners, and eliminate rent-seeking problems in the sector. This entails that logistics sector demands transformation so as to contribute to the achievement of the GTP, which makes it critical to have this logistics strategy in place.

1.3 The Strategy Preparation

This NLS was developed based on findings from NATHAN Associates Inc., an International Consultant study financed by the United Nations Development Program (UNDP). The NLS is a comprehensive document developed by dedicated team of experts set up under the Maritime Affairs Authority of Ethiopia.

In order to set up clear strategic direction that could pave the way for the development of state-of-the-art freight logistics systems for Ethiopia, a detailed analysis of the current freight logistics system, its main characteristics and performances have been conducted with the aim to identify issues/challenges in the system and highlight the root causes.

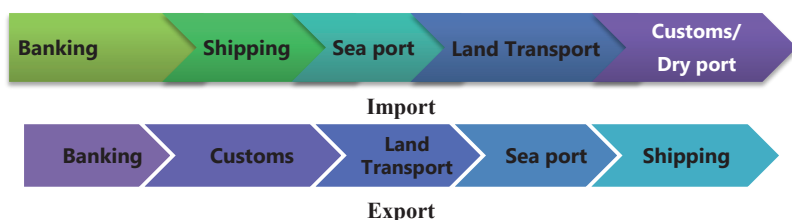
The data about each of the main logistics processes or operations were gathered from different stakeholders and sources including:

- members of the logistics sector such as regulators, logistics service providers and companies and as well as customers.
- multiple institutional reports.

- Relevant studies on logistics which were carried by international institutions and different government agencies.
- International logistics benchmarks.

Accordingly, using the data collected from different sources, detailed analysis of the current freight logistics system in Ethiopia was carried out with focus on five major segments of the import and export trade of end to end supply chain, as presented in Figure 1.

Figure 1: Import-Export process



Four consultation forums took place with stakeholders to review and validate the draft NLS whereby improvements were made on the strategy document based on the inputs and feedbacks from the forums. Different discussions were also held on the strategy with stakeholders from different sectors of the economy and development partners to enrich the strategy. The strategy was also reviewed by Minister of Transport, and finally approved by the Council of Ministers of the Federal Democratic Republic of Ethiopian August 2018.

Part Two:

Ethiopia's Logistics Performance

Assessment of the country's logistics performance was based on two inputs:

- Reports from international organizations and bodies about the performance of the country's logistics sector
- Analytical reports about the country's logistics performance in terms of time and cost competitiveness.

2.1 Logistics Performance Based on Global Institutions Reports

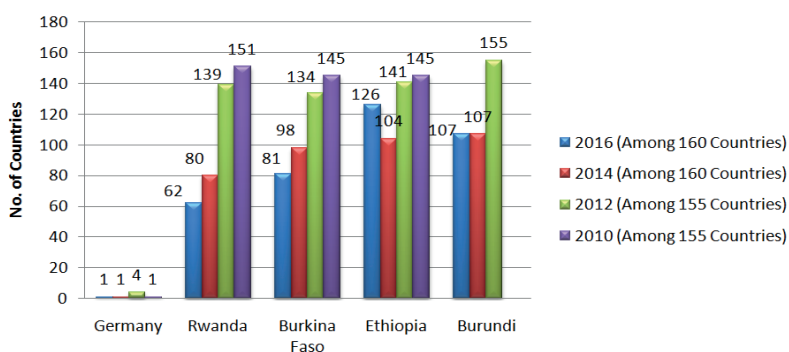
International studies and reports covering various aspects of the logistics performance of countries have been developed. In this regard, the following three international reports have been considered for having a clear understanding on the status of Ethiopia's logistics system and its performance.

2.1.1 Logistics Performance Index –World Bank Group

The World Bank (WB) measures the performances of international trade logistics of various countries by applying its standards known as the Logistics Performance Index (LPI) survey every two years. This measurement has helped to initiate numerous policy reforms and development of strategies by providing relevant information for policymakers, private executives and any other stakeholders about

the abilities of countries to manage logistics operations in the global business environment. According to this report, Ethiopia's status in LPI has been compared with the world's top performer country i.e., Germany and landlocked countries with poor logistics performance, as in figure 2 below.

Figure 2: Comparative position of Ethiopia in LPI



Source: Data from World Bank, 2010 – 2016 LPI²

The WB LPI produces a single weighted average index (overall index) and six components as shown in Table 1. LPI uses a scale of 1 – 5 for each dimension. Ethiopia's 2016 logistics performance under the six LPI components is compared with selected countries (Table 1).

²Arvis, J.F., Saslavsky D., Ojala, L., Shepherd, B., Busc, C., Raj A., Naula, T., (2016). Connecting to Compete 2016 Trade Logistics in the Global Economy. World Bank.

Table 1: Comparative position of Ethiopia in LPI and its components

Country	Overall LPI rank	LPI (/160)	Overall score	LPI Six Components (2016)					
				Customs	Infrastructure	International shipments	Logistics quality & competence	Tracking and tracing	Timeliness
Germany		1	4.24		4.12	4.44	3.86	4.28	4.27
Luxembourg		2	4.22		3.90	4.24	4.24	4.01	4.12
Uganda		58	3.04		2.97	2.74	2.88	2.93	3.01
Kenya		42	3.33		3.17	3.21	3.24	3.24	3.42
Tanzania		61	2.99		2.78	2.81	2.98	2.92	2.98
Rwanda		62	2.98		2.93	2.62	3.05	2.87	3.04
Burkina Faso		81	2.73		2.55	2.67	2.73	2.78	2.49
Sudan		103	2.52		2.23	2.20	2.57	2.36	2.49
Burundi		107	2.50		2.02	1.98	2.42	2.46	2.6883
Zambia		114	2.42		2.25	2.26	2.51	2.42	2.36
Ethiopia		126	2.37		2.60	2.12	2.56	2.37	2.18

Source: World Bank, 2016 LPI

Ethiopia's logistics performance in 2014 and 2016 (out of 160 countries) is also compared with five competitive countries in light of manufacturing. The comparison is presented in Table 2.

Table 2: 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

The above results from the graph and tables show:

- Ethiopia is one of the lowest performing countries in trade logistics i.e., 126th out of 160 countries in LPI rank
- While the logistics performance of many countries has shown improvement, Ethiopia's performance has deteriorated on the contrast.
- Ethiopia's logistics performance relative to competing and peer group of countries in light manufacturing is not only the lowest, but it is far behind.
- Ethiopia has not been included in the WB recent LPI survey i.e., 2018 LPI. As a result, 2016 LPI has used as a recent report for the analysis. However, based on 2012–2018 aggregated LPI rank, Ethiopia's position has declined from 126th to 131th.

2.1.2 Logistics Performance Reports of Landlocked Countries

There are 44 landlocked countries in the world and a new program has been devised to support their transit transport services. At present time, the UN-OHRLLS is implementing a 10 years program namely, Vienna Program of Action (VPOA) for Landlocked Developing Countries in 2014–2024³. The responsible body organized to oversee the implementation of the VPOA has published an assessment report on landlocked countries transit transport systems. According to this report, progress has been observed on Ethiopia's transit transport system in terms of the development of road, logistics facilities and other related infrastructures, and establishing bilateral agreements with coastal neighbors on port utilization. While the government made subsequent efforts, the evaluation report shows that there is still a wide gap when compared with the expected results.

2.1.3 World Economic Forum

Competitiveness is the ability of a nation to create and maintain an environment that sustains more value creation for its enterprises and more prosperity for its people. World Economic Forum measures the competitiveness of global economies using the global competitiveness index. According to this four-point index measurement, Ethiopia has scored low performance under different pillars. Table 3 indicates same.

Table 3: Global Competitiveness Report 2014–2015

Indicators	Rank /144 Countries	Value (1-7)
Institutions	96	3.5
Infrastructure	125	3.5
Technological readiness	133	2.5
Macroeconomic environment	95	4.4

Source: World Economic Forum, 2014⁴

³UN-OHRLLS, 2014. Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024. Vienna.

⁴Schwab, K. and Sala-i-Martin, X., 2014. World Economic Forum's Global Competitiveness Report, 2014-2015. Retrieved from.

2.1.4 Summary on Global Reports

Under global logistics performance indicators by utilizing LPI, landlocked countries logistics performance indicators, and global competitiveness index, Ethiopia has scored very low performance in all respects.

2.2 Logistics Cost and Time in Ethiopia

Cost, time and service reliability are the three key indicators of the logistics system. To analyze the country's logistics system and to have a complete understanding of its performance, import and export trade activities have been classified under five main processes. Then further analysis was undertaken to identify the problems and corresponding causes. The following sections present different findings that are derived from detailed data analysis.

Import and Export Cargo Flows

The country annual import cargos have reached 14 million tons. This amount can be classified as;

- Containerized: 3.2 million metric tons, which is 23%
- Dry bulk: 4 million tons, 28%
- Petroleum products: 4.1 million tons, 29%
- Steel and other general cargoes: 2.9 million tons, which is about 20%

Ethiopia's export cargo has reached 2 million tons annually, with an estimated annual export cargo of 65,000 containers or 1.3 million tons through the port of Djibouti. With regards to analyzing import cargoes logistics time and cost, relatively broader analysis for containerized cargo, and brief data analysis for other cargoes in accordance with their operational characteristics have presented as follows.

2.2.1 Logistics Time

There are several factors that determine logistics time including, transport system, modes of transport, and origin and destination of cargo. Logistics time is the average time required to perform multiple functions in the transport process. Lead time to import cargo to Ethiopia was analyzed by taking the time from issuing a purchase order by importers to delivery of the goods to final destination. Lead time for export cargo has been computed by considering average time from export preparation to shipment of cargoes at the destination seaport. This is the standard measure of logistics time applied in several countries. The same practice was followed to analyze Ethiopia's import/export logistics time. The analysis is presented as follows.

2.2.2 Import Cargo *Containerized Cargo*

A. Lead-time for Import

Lead time to import refers to the time necessary to accomplish all functions required to import goods. These include time taken to obtain foreign currency bank permit, L/C opening and sending to exporters, shipment preparation by the exporter, delivery of cargoes onboard ships at the port of loading, maritime transport from the port of loading to the port of discharge, cargo handling operations at the destination port, inland transport, and customs clearance. Though the lead time includes the time required by exporters for shipment preparation and delivery to the port of loading, this process has not been considered, because this process is similar for all origins. Thus, the following assumptions were made to calculate the lead time of the country.

- Normal cargo (non-dangerous)
- Containerized cargo (1 TEU)
- Port of loading: Shanghai, China
- Port of discharge: Djibouti
- Final destination: Addis Ababa

The time required to import the above TEU cargo has been computed using multimodal and unimodal transport systems as shown in Table 4.

Table 4: 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

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

The above table shows that it takes on average four months to import cargo into Ethiopia under the current logistics system. During this period, foreign currency permit from a bank and port dwell time makeup the largest share (65%). This is extremely higher than any other international standard. Even, it is double than that of Eastern Africa countries.

Moreover, it takes on average 78 days from shipment preparation at the port of loading to shipment delivery to the port of discharge. Following the discharging operation, it takes on average 42 days to deliver cargo to the consignee. This transit time considers time from the beginning of cargo clearing process at the destination port (Djibouti) by the importer to shipment delivery to the consignee. For unimodal transport, the transit time includes completion of the seaport formalities, customs clearing, land transport, customs clearing and shipment delivery. Under multimodal transport, the transit time includes the time required to complete seaport formalities, land transport to inland dry ports, customs and port clearance by importers and shipment delivery to the consignee. The data has been shown below in Table 5.

Table 5: 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

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

In terms of containerized general cargo, port dwell time at the port of Djibouti is 37 days and 59 days at Modjo dry port.

Dry Bulk Cargo

Dry bulk cargo includes fertilizer, wheat, grain, coal, and sugar which is about 4 million tons per year. This has a 28 percent share of the country's import trade.

Out of the country's total dry bulk cargo import, over 80% is procured by the government. However, the government procurement system for dry bulk cargo is imposing a negative impact on the country's logistics system. Based on an overall assessment, the total cost of this shipment has been estimated to be 6 billion Ethiopian birr per annum. Logistics cost is on average 103 USD per ton. The cost category includes:

- Shipping at sea: \$30/ton (29%)
- Port service: \$21/ton (20%)
- Road Transport: \$52/ton (51%)

Thus, the government annual logistics cost of dry bulk cargo is 257.5 million USD or 5.6 billion Ethiopian Birr. The cost does not include cargo value and other logistics costs. The average duration of a ship at anchorage was 15 days; occasionally the duration may extend to over a 2–3 months. The lead-time for this cargo is not consistent; sometimes it takes up to six months. It is also difficult to compare the lead-time, shipping time and port dwell time with other similar bulk cargo since the country's logistics performance is at a very low level. The main cause for this problem is lack of coordinated and integrated planning and management of information, finance and cargo at the national level.

Petroleum Products

Ethiopia's import of petroleum products i.e., fuel import through the port of Djibouti reached 4.1 million tons per year. The main problems on the transit of this cargo include;

- Inadequate cargo handling capacity in Port of Djibouti
- Expensive port handling charges at the port of Djibouti
- Excessive ship demurrage and theft

Regarding the high value and unique nature of this cargo, it is essential to provide facilities and a secured transportation system that will solve the problems related to shipping at sea, port handling capacity limitations and inefficient operations.

Steel and Other general cargo

The average dwell time for steel and other general cargo is above 30 days. This not only results in unnecessary additional costs, but it also affects the quality of cargo, especially it has a negative effect on steel quality. Some of the main causes for long dwell times include;

- Importers financial shortage
- Market searching after cargoes arrival at port
- Lack of follow-up

Truck millage per year

Increasing cargo trucks mileage per year will increase the likelihood of speeding up freight shipments from ports. Since cargo trucks in Ethiopia cover on average merely 60,000–80,000 KM per year, it is difficult to pick up cargo on-time.

2.2.3 Export Lead-time

The lead-time to export from Ethiopia has shown in table 6 below. The lead-time to export has prepared by considering:

- Types of cargo: coffee
- One TEU container
- Less than 20 tons load
- Container stuffing at the port of Djibouti
- Origin: Addis Ababa
- Destination: Hamburg/Germany

Table 6: 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

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

2.3 Logistics Cost (Rates and Cost Indicators)

The analysis of import and export cargo logistics cost has been carried in relation to the logistics cost of other benchmark countries. These countries are South Africa, South Korea, United States, and Indonesia.

2.3.1 Import Cargo

Total Cost

The total cost of importing cargo from getting foreign currency permit from banks or L/C opening to shipment delivery to the consignee under unimodal/ multimodal transport is shown in Table 7. The following assumptions have been considered in calculating the total logistics cost of import cargo; cargo purchased value 40,000 USD, one container cargo (TEU), less than 20 tons load, normal cargo (non-dangerous good), and port of loading Shanghai (China).

Logistics Cost

The logistics cost includes the cost incurred in shipping and land transportation, cargo handling operations at seaports and dry ports until the shipment is delivered to the consignee. Table 7 below presents the details of these costs.

Table 7: 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

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

The above logistics cost include port handling charges. Thus, logistics cost refers to:

- Transport costs
- L / C payment
- Insurance payment
- Container storage and demurrage and other administrative costs; having these costs the average cost of one TEU container is 4,500 USD.

Port Service Cost

Port service charges are paid to the services provided by ports. These charges vary from port to port. Port of Djibouti is well-known as one of the most expensive ports. For comparison, the tariff information of port of Djibouti and the surrounding ports are shown in tables 8, 9 and 10 below.

Table 8: Comparison of cost of stevedoring (discharging) service for import cargo

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%

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

Table 9: 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%

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

Table 10: Comparative cost of stevedoring (discharging & shore handling) for export cargo

Container Type	Port Stevedoring and Shore Handling Charges in USD					
	Mombasa	Dar es Salaam	Port Sudan	Average	Djibouti	Djibouti compared to average %
20feet	184	230	110	175	249	+42%
40feet	273	330	220	274	398	+45%

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

Land Transport Cost

Land transport cost refers to the cost paid to transport cargoes from port of Djibouti to inland destinations. The destination will be either a named place of destination by the importer under unimodal or a dry port in case of multimodal. The table below (Table 11) shows transportation cost of 20 feet container with 30 tons load from port of Djibouti to Addis Ababa under unimodal, compared with costs in neighboring countries.

Table 11: Comparative cost of land transport in USD

Origin	Destination	Distance (KM)	Cost per TEU	Cost per 1 KM	Cost per ton	Cost per ton/ KM
Mombasa	Nairobi	483	1045	2.16	34.83	0.072
	Kampala	1137	3700	3.25	123.33	0.108
	Kigali	1439	4800	3.34	160.00	0.111
Dar es Salaam	Kampala	1571	4600	2.93	153.33	0.098
	Kigali	1475	4300	2.92	143.33	0.097
Djibouti	Addis Ababa	925	2050	2.22	68.33	0.074

Source: Shippers Council of Eastern Africa (2014). East African Countries Logistics Performance survey 2014.

2.3.2 Export Cargoes

The following analysis is carried out to calculate the total logistics cost to export from Ethiopia by taking representative cargo. This analysis assumes transportation of textile with a 40 feet container from the port of Djibouti to Istanbul port (Turkey) and coffee with a 20 feet container from the port of Djibouti to Hamburg (Germany). The analysis is presented in table 12.

Table 12: Logistics cost to export a container under unimodal

Cost List	Cost per 20 feet container (USD)	Percentage of total cost	Cost per 40 feet container (USD)	Percentage of total cost
Land transport cost (Addis Ababa - Djibouti)	510	26	1020	32
Port handling charges at Djibouti	450	23	660	21
Shipping cost	950	49	1400	44
Commission and other expenses	40	2	80	3
Total	1950	100	3160	100

Source: Maritime Affairs Authority Internal Diagnosis Report, 2018

Logistics time and cost to export, especially in terms of export products and manufacturing inputs, have shown that the country's logistics cost and time have been higher compared to those of competitive countries. The following three major reasons have been identified as major sources of this problem:

- Small volume and fragmented shipments (economies of scale)
- Longer distance to sea
- Inefficient logistics performance

The above analysis has been carried out based on the current type and amount of export cargo. Logistics infrastructures development for livestock and perishable goods export is at the lower or below the minimum level. The required time and cost to export such products using the available infrastructures makes the country non-competitive. In addition, the current performance rate of stuffing export cargo into containers in Ethiopia is only 33 percent. This has

led the country to incur costs in foreign currency and also make the system inefficient.

2.4 Logistics Performance Assessment and Findings

In the earlier parts of this study, data analysis has been carried out on the national logistics performance of Ethiopia with specific emphasis to logistics time and cost. This has been derived as an excerpt from a detailed study on logistics problems (diagnosis report). In the problem analysis of this strategy document, the time and cost required for each process has been estimated. Further comparative analysis has also been carried out in comparison with logistics costs and time of East African countries and other countries of the World. During each process, the problems, causes of problems and effects were analyzed. The findings showed that the country's overall logistics performance indicators in terms of time and cost are found at very low level compared to international standards. Relative to average logistics performance of countries found in East Africa, Ethiopia has scored more than twice higher in most performance indicators.

The causes for the country's lower logistics performance are identified. Based on the analysis of these problems, the NLS need to address the fundamental problems to bring about profound positive effects and those which require special attention are identified, as here under.

2.4.1 Trade and Finance System

As it has been shown on the analysis of transit time and the total time and cost required to import, trade and finance system has 65% share of the process of importing cargo into the country. Regarding to port dwell time, the cargo dwell time is 10 times higher than the average global standard (average 3 days). Though there are different

factors for cargo long dwell time, the key problem is the trade and finance system.

For instance, the current practice of bulk cargo import is almost equivalent to using vessels as a warehouse. The major causes of this problem are difficulties of coordinating disparate importers with fragmented operations and a shortage of supply of foreign currency. Regarding cargo dwell time on seaports and dry ports, the practice of using containers for storage is mainly related to the trading and finance system more than transport logistics.

The country's trading and finance system has been identified as one of the key problems. The negative effect of the country's trading and finance system on logistics performance goes beyond the above mentioned, it has made the import trading system extensive to incur unnecessary additional operations. Thus, transforming the trade and finance system has a significant role in creating an effective and responsive logistics system.

2.4.2 Excessive and Cumbersome Transit and Customs Procedures

There are several regulators and service providers participating in the process of importing and exporting cargo from origin to destination. These are freight forwarders, shipping companies, port terminal operators, and customs authorities of both Ethiopia and transit countries, border control and other related agencies. These agencies perform under major challenges characterized by large number of documents and payments; time-consuming processes; lack of adequate facilities, equipment, and manpower at the required level; and above all lack of coordination among the sector players.

The time required to deliver cargo at inland destinations include procedures of releasing cargo at seaport, inland haulage and clearance at inland customs appear minimal on paper, but the process

actually takes longer time due to complex customs procedures and related systems.

2.4.3 Poor Quality and Low Competence of Logistics Service Providers

One of the main challenges for different government organizations engaged in regulating the logistics sector is lack of institutional capacity to lead the sector based on knowledge and skills. In addition, the private logistics service providing companies including port and terminal operators have also challenges of shortage of appropriate qualified professionals.

In this regard, integrated operations are required between customs clearing agents, freight forwarders, ship agents, transitors and ship agents in Djibouti. Though different institutions are providing training and qualification programs, these programs are disintegrated and incompatible with the required trade logistics performance of the country. This has hindered the ability of various supervising organizations from achieving the desired results at a satisfactory level. The intermittent and inconsistent training provided for customs clearing agents has been one of the main reasons for an acute shortage of professionals. This has created opportunities for fewer customs clearing agents to operate at higher service charges.

2.4.4 Monopolistic Practice in the Logistics Service Sector

There are several services provided by monopoly and exclusive service providers in the logistics service sector. These companies include container terminal management, bulk cargo operation terminal and oil terminal at the port of Djibouti; the national shipping company for import cargo (though not all import cargo), multimodal operation and dry port services on Ethiopian side. These services are not open to the private sector and also lack efficient procedures for delivery of quality service. These have caused for inefficient

operations and a higher increase in service charges. Thus, lacks of proper controlling on the logistics service areas and absence of a competitive environment in the logistics service sector have become significant problems in the logistics system.

2.4.5 Logistics Infrastructure Deficit and Management Problem

An effective and efficient logistics system requires development adequate infrastructures. In this regard, earlier diagnosis reports showed several gaps and shortcomings related to:

- Transport supply and management problem
- Road condition
- Status of logistics centers
- Port facilities, stuffing materials, port handling equipment
- The use of modern information technology and related infrastructures

2.4.6 Logistics Service Providers & Regulators gaps on Institutionalization & Capacity

Logistics service providers and various government organizations engaged in regulation and controlling have institutional organization and capacity shortcomings in leading the sector with the relevant knowledge and skills. There is no also legal basis for horizontal coordination and effective integration among logistics institutions. The shortage of qualified logistics professionals in the private and government sectors, and domestic and seaport logistics service providers has been identified as one of the quagmires in the logistics sector.

Part Three:

Vision, Mission and Strategic Objectives and Targets

With the notion that all logistics stakeholders in the Ethiopian import-export trade stand to gain from faster, easier and less costly trade through improved competitiveness, internationally accepted norms, standards and best practices, the following mission and vision statements are here with set forth what the Ethiopian logistics industry should strive to become in the future.

Vision:

“Transform the country’s logistics system to be the leading enabler for trade and investment in Africa by 2028.”

The strategic objective, thus aims to achieve the national vision stated above.

Mission:

The mission of the logistics industry is

“Contribute to the efficient and effective flow of goods, services and information in a manner that supports government development strategies, make the country’s trade more competitive in the global market, and achieve the end result of alleviation of poverty and improve the quality of lives of citizens”.

As highlighted in the earlier sections of this strategy, issues in the logistics sector need immediate attention despite major economic achievements in Ethiopia. This entails that the logistics sector demands transformation so as to contribute to the Ethiopian economy which makes it critical to have specific strategies for the sector's development.

3.1 Objectives and Goals

3.1.1 General Objective

Transform Ethiopia's logistics system in the coming ten years.

3.1.2 Specific Objectives

- Improve logistics services by refining the national trade and finance system.
- Establish well integrated and interfaced transit and customs System.
- Improve logistics service provider's efficiency.
- Reduce the monopolistic practices in the logistics sector of the country.
- Develop Logistics infrastructure
- Build up logistics sector institutional capacity

3.1.3 Strategic Goals

The NLS goals are designed by way of considering the Logistics Performance Index, the current LPI status of the country and logistics developmental projection in the coming ten years. And these goals are stated as follows:

1. Trim down the import lead-time of foreign currency permit to shipment delivery from 123 to 40 days.
2. Cut the import cargo transit time of port discharge to an inland destination from 46 to 7 days.
3. Reduce export lead-time of inland bank permit to shipment on board of a vessel from 36 to 7 days.
4. Transport all import bulk cargos from the port with zero demurrage cost of vessels.
5. Decrease import cargo port dwell time from 40 to 3 days.
6. Increase export cargo containerization within Ethiopia from the current 33% to 90%.
7. Reduce dry bulk vessel anchorage time from 35 to 2 days.
8. Cut break-bulk vessel anchorage time from 15 to 2 days.
9. Increase Ethiopian trucks annual mileage from 70,000Km to 120,000km.

3.2 Logistics Sector Strategies

The paramount challenges are identified based on detailed studies and analysis in order to establish the logistics sector goals, objectives, and strategies. Accordingly, six major strategies are identified along with corresponding interventions that require to be transformed into implementation programs. The Six strategies are presented in the table below.

Table 13: Logistics Sector Six Major Strategies

Strategy N.O	Title
Strategy 1	Transform logistics service delivery and operators efficiency
Strategy 2	Develop and strength logistics sector policies and legal frameworks
Strategy 3	Institutes an efficient and reliable transit and customs system
Strategy 4	Implement reliable trade and finance system to enhance logistics facilitation role
Strategy 5	Develop logistics infrastructures
Strategy 6	Strengthen regulators institutional capacity, qualifications of human capital and create efficient government

Each of the above six major strategies are discussed as follows with corresponding sub-strategies and interventions. Interventions are actions used to translate strategies into implementation. As a result, interventions will be translated into programs.

Strategy 1: Transform logistics service delivery and capacity of operators

Description of the Strategy

Strategy one emphasizes on making the country's logistics service and processes effective, efficient and integrated. This is one of the key issues in the process of transforming the country's logistics system to a higher level. This strategy aims at enabling logistics service providers to deliver complete and well-integrated services to exporters and importers. The sub strategies identified of this strategy include:

Sub Strategy 1.1: Establish an efficient and effective logistics system

Sub Strategy 1.2: Transform ESLSE's service delivery system and its structure

Sub Strategy 1.3: Strengthen the capability of logistics service providers

Sub Strategy 1.4: Enhance transport capacity.

The interventions proposed for each of the sub strategies along with their brief explanations are provided below.

Sub Strategy 1.1: Establish an efficient and effective logistics system

Interventions

1. Establish an operational coordinating mechanism at national level for import dry bulk shipments

It is imperative to lead all dry bulk cargo imports in a coordinated and legally structured manner by the government and other stakeholders. There shall be collaborative planning and coordination on procurement, financing, sea transport, port service, road/rail transport and local warehousing for dry bulk imports.

2. Develop logistics system for livestock Export

This intervention is focused on enhancing livestock export competitiveness through building livestock spelling yards along the main corridors of the country with sufficient facilities. Establishing benefit packages for logistics service providers to have special trucks for transportation of livestock from inland yards to seaports, and providing livestock spelling yards around the seaports are vital approaches to attain this intervention.

3. Strengthen the multimodal transport system and increase its coverage

Nowadays, the volume of cargo handled by multimodal transport system is very low compared with the national import/export volume. To take it to a higher level of coverage, it's imperative to strengthen the capacity of the operators and to establish a research-based system for inclusion of cargo which is not covered by prevailing multimodal transport system.

4. Develop export cargo containerization in hinterland

In the existing global logistics system, there is an increasing trend of containerization supported by modern operations. However, 67 percent of Ethiopia's export cargoes transported in break bulk to the port of Djibouti, then the stuffing operation takes place there for export to various destinations. Thus, it's important to conduct a study, prepare legal frameworks, and develop facilities for export containerization within Ethiopia to avoid delays and excessive costs.

5. Enhance utilization of ports and transit corridors

Ethiopia's import and export cargo are carried through few corridors and the logistics service through these corridors is found to be costly and takes longer time because of cumbersome procedures and poor road infrastructures. Hence it's desirable to increase the utilization rate of existing corridors and have alternate/e/additional corridors through well established agreements with neighboring countries.

6. Create full-fledged and Integrated system packages for export logistics service

To make the country's export trade more competitive in terms of time and cost, and bring the trade balance to an optimal level, it's imperative to examine the export logistics system. It is also critical to institute benefit packages as well as create an end-to-end export

services to motivate exporters and logistics service providers.

7. Develop a system to control sea transport tariffs

Sea transport is highly controlled by international market forces and conventions in the existing global arena. However, the fact in Ethiopia differs from this scenario because of the monopoly practice the country is pursuing, and market forces are not determining the freight rates. Therefore, a study shall be conducted with global benchmarking and institute a system to control the sea transport tariffs.

8. Create a system for transit transport of import cargo

Implement efficient and effective transit and transport systems to lead import logistics by developing consistent standards for all logistics service providers and regulatory institutions.

9. Establish an integrated, efficient and effective transit transport system with focus on industrial parks and cargo centers.

Establish a transit transport system to and from industrial parks by removing all existing hurdles to the industrial parks in the course of import of raw materials and forwarding of export products.

10. Establish Common use facilities for logistics service providers

Implement a system that will enable all logistics service providers to use common facilities and infrastructure that are already developed or may be built in the future by the government.

11. Develop a system for storing and disposal of unclaimed cargo in dry ports

Develop a system for cargo temporary storage and trans-shipment as well as disposal for unclaimed cargoes handled at domestic dry ports.

12. Install a consolidation system for providing an integrated sea, air and land transport services.

To enhance the country's import-export trade flow and promote export competitiveness of perishable goods, an operating system will be developed for an integrated land-air transport service by preparing operational procedures and constructing consolidation centers near to production areas.

Sub Strategy 1.2: Transform ESLSE's service delivery system and structure

Interventions

This sub strategy focuses primarily on the Ethiopian Shipping and Logistics Services Enterprise (ESLSE). The Enterprise could be recognized as the backbone of the development agenda of the country in terms of logistics services. Accordingly, ESLSE will have two main roles in the implementation of the NLS. These are:

- 1) To become the leading logistics service provider in implementing national logistics strategy of the country.
- 2) In partnership with other logistics service providers, the Enterprise is expected to be an integral part in enhancing the capacity of the country's logistics service providers and creating conducive environment for competition.

13. Develop a system to involve private logistics service providers in multimodal transport system.

ESLSE operates all services of the multimodal transport system using its capacity and it is a necessity to outsource multimodal transport service to other companies in order to increase freight coverage

and enhance efficiency in the multimodal service delivery. As a result, a system for outsourcing these services will be developed to maximize ESLES's capacity and include cargo that are not covered by multimodal.

14. Establish effective presence at sea ports in line with the country's interests

It will facilitate improve functioning of the ports and corridors of the country's Import and export trade by opening offices at the seaports as per the interests of the country and to play a leading role for other service providers to enable them offer better services.

15. Provide quick service for cargo transported by multimodal transport.

In order to make the multimodal transport system the choice of Importers and exporters and to ensure its competitiveness in terms of time and cost, the standard operating system will be implemented to transport goods into inland dry ports within a few days after discharge at the seaports.

16. Provide efficient service for cargo transported by unimodal transport system

Implement standard operating system that will ensure shorter lead-time and fast delivery of cargo transported by the unimodal transport system from the time of receiving of customs clearing documents to shipments delivery at destinations.

17. Create modern, efficient and effective service delivery at dry ports

Currently dry port operations are not efficient due to unstructured procedures, inadequate cargo securities and lack of standard best practices and systems that can enable deliver smooth services. As a

result, modern dry port operation and service delivery system need to be in place in all dry ports.

18. Implement shipping strategy

Well articulated shipping strategy has to be developed and implemented considering the national, regional and international maritime business environments to enhance sea transport service using own and chartered vessels.

19. Create capacity to provide special cargo handling and transport services for project cargo.

Due to the fact that our country is implementing many projects and due to the unique nature of the project cargo, special logistics arrangements are required. Therefore, a system will be established, facilities will be provided, and capacity building measures will be undertaken to accommodate the logistics services for the project cargo.

20. Establish cross docking centers

Cross Docking Centers need to be established to address the problem of supply of containers by addressing the gaps in both import and export.

21. Enable the Shipping and Logistics Services Enterprise to be a full-fledged logistics company

ESLSE is expected to play a leading role to fill the gaps which were identified in the course of this study and in the above mentioned strategies and implement the strategies that are designed to transform the country's ailing logistics system. ESLSE has, therefore, to equip itself with sound organizational set-up and institutional capacity.

Sub Strategy 1.3: Strengthen the capability of logistics service providers

Interventions

The interventions for this sub strategy are listed below with explanations.

22. Develop long- term contracts to create competent logistics service providers in the sector

The services of the logistics sector play a significant role in supporting the development of the country's economy. If lots of hands, however, are involved in a disorganized manner in the sector, this may then result in higher costs and longer transit times. Therefore, it is appropriate to create robust operators that can provide the services from origin to destination efficiently. Accordingly, service providers' ranks will be set by establishing a strong monitoring and support system. Long-term contracting system will be implemented that can enable operators to allocate sufficient capital for logistics facilities.

23. Transform transport operators to full-fledged logistics service providers

A program will be implemented which help comparatively well-established transport operators to transform them to be full-fledged Logistics service providers.

24. Strengthen freight forwarding and shipping agency service providers

Currently, with the exception of a few freight forwarders, there are hardly any freight forwarding companies with adequate facilities and qualified professionals. Some of them have poor performance records and at times unable to settle payments to their partners, and as a result clients have frequently aired out complaints. It is, therefore necessary to establish a standard based on international best practices to identify, enable and encourage the performers

in the sector to improve their services. Similarly, shipping agents lack decision making capabilities as expected from competent ship agents. Some agents are sub-agents of the agents at the port of Djibouti, and their role in facilitating the logistics process is low. Therefore, a system will be established which will enable these agents to have strong decision making and play substantial role in the country logistics through becoming direct and general agent for shipping companies.

25. Establish a licensing system of Authorized Economic Operators (AEO) status to logistics service providers

The AEOs' license is given by the Ethiopian Ministry of Revenues to exporters and importers engaged in manufacturing, agricultural production and mining sectors. Therefore, a system will be established to issue AEO licenses to logistics service providers which mainly serve the above mentioned producers, exporters, and importers.

26. Improve the coordination among cross-border freight forwarding service providers

Freight forwarders engaged in cargo handling operations in Ethiopia have poor relations and coordination with their counter parts in the port of Djibouti and other ports. The problems include the lack of enforcement mechanisms to protect the rights of freight forwarders when they face operational challenges at the seaports, failure of foreign freight forwarders to deliver commitments under their contracts with Ethiopian forwarders, and Ethiopian forwarders failure to settle payments timely. The problem-solving procedure which is now in place for solving the above problems has not been effective. Therefore, review of these procedures and through negotiations with transit countries, sustainable operating systems or modalities will be established for freight forwarders.

27. Create an integrated training and licensing system

Freight forwarders and customs clearing agents are almost identical and engaged in providing logistics service for similar cargo, yet the training and qualification assurance system for both areas are not integrated. Therefore, synchronized training and certification system will set be up for freight forwarders and customs clearing agents.

28. Establish a system to monitor logistics service quality

Logistics service quality monitoring system will be established based on international best practices. Assessment and measurement of logistics service quality will be carried out and necessary corrective actions will be taken to improve service delivery.

29. Capacity building for companies engaged in logistics service provision

In the logistics sector, personnel's skill, knowledge and experience are not at the desired levels and do not meet the current requirements. In addition, the system for human resource development has not been in line with acceptable practices. Thus, it is important to examine the human resources capacity building system in the logistics sector and establish human resource a capacity building system that will meet global standards and avail qualified professionals for the sector.

30. Apply an Incentive system for logistics services providers

An incentive system will be implemented to motivate operators involved in the logistics service and to improve service deliveries continuously.

Sub Strategy 1.4: Enhance transport capacity.

Interventions

The interventions for sub-strategy 1.4 are provided as follows.

31. Strengthen service delivery by integrating rail transport with road transport and freight centers

Projects underway and future initiatives in the process of enhancing the country's rail transport, shall go beyond cargo transportation. In addition, efficiency of logistics services rendered at terminals and integration of rail transport with road transport and freight centers need to be ensured.

32. Integrate the country's import-export trade transit and traffic flow

Based on the country's current economic context, the flows of import cargo exceeds the export cargo. This has a negative impact on transport utilization. In solving this and other related problems, an operating system for export cargo handling will be implemented that will enable the effective utilization of facilities which are already employed for handling import cargo.

33. Import trucks with heavy load (70 – 100 tones)

In Ethiopia most companies and truck associations use old trucks with lesser loading capacity. Hence, legal framework and operating procedures will be prepared to ensure effective utilization of trucks with heavy loads in selected areas of the country. Besides, packages will be put in place to enable companies to achieve this.

34. Establish tractor head exchange systems

Tractor heads changing systems are important for efficient utilization of vehicles as a result fuel consumption reduces and road usage and turnaround time also reduces. Thus a system will be established that will facilitate transport operations through switching truck heads.

35. Restructure the organization of trucking associations in Ethiopia

There are many freight truck owners in Ethiopia where most of them are single truck owners with less competitive power in the market. As is known, transport associations are engaged in different efforts to coordinate the fragmented and disorganized freight transport of the country. Lack of authority by the association to give operational directions for truckers and the presence of ethical problems in the association has created complexity of the transport management. Thus, an operational system will be implemented that will transform the organization of transport associations into business organizations (private share or large companies).

36. Implement fleet management system

Strengthen electronic cargo tracking system and fleet management to mitigate a range of risks, improve service, regulate compliance, and ensure proper asset utilization.

37. Improve major logistics routes

This intervention aims at improving international logistics routes to speed up travel time of bigger trucks and utilization of road infrastructures as well as facilities to withstand heavier truck loads.

Strategy 2: Develop and strengthen logistics sector policies and legal frameworks.

Description of the strategy:

Ethiopia's logistics performance indicators are at a very low level against globally accepted standards. This has made the country's foreign trade less competitive in the global market. The main cause for this situation is a narrow competitive environment in the sector due to monopoly practices. Out of services provided in the logistics sector, some services are provided by a single government owned operator, while some others are provided by local private companies but not allowed for foreign companies. Therefore, the main aim of this strategy is to open the logistics service to a broader competition in a phase by phase approach by conducting appropriate detailed studies and analyses. This will enable the government and private logistics service providers to provide reliable, effective and efficient logistics services.

The sub strategies identified to accomplish this strategic objective include:

Sub Strategy 2.1: Reform the policy on maritime transport service

Sub Strategy 2.2: Reform the multimodal Operators licensing system

Sub Strategy 2.3: Reform the freight forwarding licensing system

Sub Strategy 2.4: Reform licensing system for dry port development and operations

Sub Strategy 2.5: Reform policy on road transport service sector

The interventions proposed for each of the sub strategies along with their brief explanations are provided below.

Sub Strategy 2.1: Reform policy on maritime transport service

Interventions

38. Open up the maritime transport and logistics services gradually to the international market

Maritime services shall be opened up for competition in a phase by phase approach as follows.

Phase One (1 year): Major cargo owners in Ethiopia will have shares at ESLSE to improve its service quality and set a mechanism to control the freight rates for services that are provided by the monopoly. A revision will be made on the 2001 FOB directive which has given exclusive rights for Ethiopian vessels to transport all imports of the country.

Phase Two (1 -2 Years): A system will be established for ESLSE to work with international mega-carriers in partnership.

Phase Three (After 5 years): The shipping service sector will be opened to the local and international shipping operators.

Sub Strategy 2.2: Reform the multimodal Operators licensing system

Interventions

Interventions proposed for each of the sub strategies along with their brief explanations are provided below.

39. Open up the multimodal transport service gradually to international market

ESLSE is the sole provider of multimodal transport services in Ethiopia. The Enterprise carried different reforms to cope up with the service requirements. It is noted that the country's cargo volume had become beyond its handling capacity. Hence, it is essential to address this problem by liberalizing the service to all capable multimodal operators in three phases.

Phase one (1 – 1½ year): The current sole multimodal operator, ESLSE will establish and implement a system to use the capacity of other logistics service providers to improve its services.

Phase two (1 - 2½ years): Introduce and implement a regulation to grant licenses for domestic private logistics companies on multimodal transport service.

Phase three (5 years later): Open the multimodal transport services entirely to the global logistics market.

Sub Strategy 2.3: Reform freight forwarding licensing system

Interventions

The freight forwarding industry is open for private operators in the country, but protected only for Ethiopian nationals. Besides, it is highly fragmented, less regulated with inadequate organizational set up and lack of service standard/code of conduct for proper governance of individual clearing and forwarding companies. Therefore, it requires phase by phase approach to transform this industry, and the respective intervention proposed to attain this goal along with its brief explanations is provided below.

40. Open up the freight forwarding service sector gradually to the international market

During the first phase (1 year), domestic freight forwarding companies will strengthen their capacity by partnering with international companies in selected services.

In the second phase (1 ½ year), a system will be set up for joint venture arrangement to make partner foreign companies in all logistics services with local freight forwarding companies.

For the third phase (after 2 years), the freight forwarding service sector will be fully open to the international operators.

Sub Strategy 2.4: Reform policy on dry port development and operations

Interventions

ESLSE owns, operates and manages dry ports at various inland locations for the provision of multimodal transport services since 2009. Improving the efficiency of dry port operations and addressing the inherent problems in dry port operations requires liberalizing this sub sector. Thus, dry ports development and operations will be opened in a phase by phase approach. The intervention to implement this sub strategy is as following.

41. Open up the dry port services to both domestics and international operators

In the first phase (1 - 2 years), a system will be established which enables ESLSE to develop dry port infrastructures and become the owner of common use facilities at dry ports. Then, procedures will be prepared to involve private logistics service providers and cargo owners to operate in different services within dry ports.

In the second phase (after 2 years), the dry port service and the consolidation centers, inland container depots (ICDs) and Logistics centers will be opened up for both domestic and foreign Logistics operators.

Sub Strategy 2.5: Reform policy on road transport service sector

Interventions

The inland freight transport is fragmented and disorganized with a low level of service performance and management. Therefore, it requires a phase by phase approach to transform the service. The interventions to implement this sub strategy follows:

42. Open road transport services gradually to the international market

In the first phase (1 year); improve capacity of local road transport companies and enhance their service competitiveness. A joint venture arrangement will be established with transport companies from neighboring countries.

In the second phase (2 year), road transport services will be fully opened to neighboring transport companies.

In the third phase (after 5 years): Road transport services will be opened to international transport companies.

Strategy 3: Establish an efficient and reliable transit and customs system

Description of the strategy:

The main objective of this strategy is to make the flow of activities of the regulatory institutions of the sector simple, integrated, and efficient. The following sub-strategies are designed to achieve this goal.

Strategy 3.1 Establish effective customs facilitation procedures

Strategy 3.2 Establish an effective transit port operation procedure

Strategy 3.3 Improve corridor utilization

Strategy 3.4 Improve port utilization

The interventions for each sub-strategy are presented as follows.

Sub-strategy 3.1 Establish effective customs facilitation procedures

Interventions

43. Establish national single window service

There are several players involved in import and export cargo transit procedures and general foreign trade activities. However, these regulatory offices and service providers' (banks, insurance, shipping companies, freight forwarders) processes are carried in a disorganized manner; this has resulted in extended processes, long delays and accelerated costs. These fragmented business processes should be organized and a national single window will be established to facilitate the transfer of large number of documents through an efficient and modern single center system supported by information technology. To this effect, there is an ongoing project coordinated

by the Ministry of Revenues. The project implementation will be expedited with due emphasis on the achievement of the goal of transformation of the logistics system.

44. Establish regional single window service

As a landlocked country, Ethiopia utilizes seaports of neighboring countries for its foreign trade. Therefore, it is a necessity to establish a single window service for integrating regulatory bodies and service providers who play essential roles in the logistics processes. But, this by itself will not provide a complete solution. Rather, the national single window system must be integrated with similar single windows at seaports.

45. Customs procedures improvement program

Imported cargoes discharged from vessels at seaports and then transported to destination points, and export cargoes moved from inland origins to seaports for loading on vessels require longer customs and transit processes. To provide a solution to this inherent problem, designing and implementing an improved program on customs procedures is one intervention.

46. Develop standard customs procedures for foreign trade at entry/exit cross-border centers

There are several customs centers which are used to handle the country's import-export cargo flow. These are Galafi, Moyale, Metema, Humera, Dewele, Bure, Zalambessa and Rama. However, the customs procedures and services provided at these centers are not standardized. These in turn hinders movements of shipments and have a negative effect on trade movement. Therefore, it is vital to establish standardized and effective procedures at all customs centers.

47. Establish an integrated and efficient customs procedures at Modjo dry port

Modjo dry port is the largest and busiest port in Ethiopia. A project believed to bring transformation in the service delivery, scope and capacity to a hub level is under implementation. In this set up, there will be improved and efficient customs procedures which will serve as a benchmark to other ports. There is a plan to make it a model for other cargo centers.

48. Minimize transit check points and transit times

The increased numbers of checkpoints for import goods that are transported from seaports to destination points and export cargo from inland origin to seaports have led to extended transit procedures. Hence, a program will be implemented which enable will decrease the number of checkpoints and the time required for inspection. This is expected to reduce the total logistics time for import & export trade.

49. Establish a system for free container movement

Containers are part of a vessel. Most of the containers that carry imported cargoes to the country are owned by shipping companies. The container owners want these containers to be returned fast for upcoming cargo loads. On the other hand, there is a need to use the containers for stuffing export goods within the country. Thus, easy and efficient system will be established with free container movement into and out of the country.

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.

51. Reduce number of documents

One of the basic logistics performance metrics is the complexity of service delivery. This is caused by a large number of documents required to complete formalities of customs, and other regulatory and service providers. This will lead to an extended transit process, therefore; reducing the number of documents is one of the interventions.

52. Enhance implementation of the Vienna Program of Action

UN agency that has a mandate to solve and facilitate transit and transport challenges of landlocked countries has prepared a Vienna Program of Action for implementation. Ethiopia being landlocked with a big population, it has been committed for implementation of this agenda. There is a need to strengthen this effort by developing a plan, assignment of a focal point and follow-up procedures so as to measure outcomes of the implementation program.

53. Develop partial cargo release system

There is an accumulation of cargo at dry ports. The dwell time of cargo is also very long. One of the interventions to solve this problem is to design a customs procedure for partial release of shipments taking into consideration limitation of warehouses as well as market and financial problems encountered by importers. This will allow the release of partial cargo based on their capacity by completing the

required customs procedures.

Sub Strategy 3.2. Establish an effective transit-port operation procedure

Interventions

The interventions for the above sub-strategy are presented as follows.

54. Establish a system to control monopoly practice at seaports

If services such as stevedoring, shore handling and related terminal services are provided by a sole service provider; this will have a disadvantage on service quality, tariff rates, and other related service indicators. Therefore, it is necessary to negotiate to have research-based competition and an agreement with port authorities to ensure the national advantages gained from the competition. In addition, it is essential to establish regulatory framework for services that are not open to competition.

55. Establish single window service at seaports

There are a number of regulatory and service providers including customs office, port authority, ship agents, etc. that are involved in maintaining customs and port formalities for transit cargo. These services are provided in a disorganized manner which makes the service time taking and expensive. Hence to address this problem, it is necessary to establish Djibouti Port Community to provide responsive and consistent single window service.

Sub Strategy 3.3. Improve corridor utilization

Interventions

The following are the interventions for this sub strategy

56. Develop seaport and transit corridor performance indicators and establish a monitoring system

There are key performance indicators for seaports and transit corridors. Accordingly, port and corridor performance monitoring system will be established to measure performance and develop problem solving programs in consistent manner.

57. Establish one stop border post

There are several inspection and custom check points along transit corridors in the neighboring countries, as well as in Ethiopia. This makes vehicles carrying cargo to be stranded at a number of points and this in turn increases cargo transit time. These check points pose hindrances to the transit transport services. To address this issue, it is necessary to establish and implement a One Stop Border Post.

58. Harmonize common axle load rule

The Axle Load limitation rules between Ethiopia and transit countries are not similar, in which Ethiopia's axle load limits are lower than those in the transit countries. This difference in the load limits does not facilitate the free movement of trucks between the respective countries. It is, therefore, necessary to establish mutually agreed common axle load limits for all neighboring countries.

59. Establish transit corridor management authority

In order to scale up the cross border transit transport operation, relevant stakeholders in Ethiopia and transit countries should work in a coordinated and integrated manner. Collaborative planning and

implementation of monitoring measures should be taken to ensure fast and efficient services at transit corridors. As a result, establishing Transit Corridor Management Authority is vital to bolster these efforts.

Sub strategy 3.4. Increase Improve port utilization

Interventions

The interventions proposed to implement this sub strategy include the following.

60. Joint seaport development

There are multiple disadvantages if port development is monopolized by a single seaport developer. In line with this strategy, Ethiopia will have full participation on joint seaport development so as to ensure the nation's interest related to seaports utilization and bargaining power in various negotiations such as port tariffs and other day to day operational issues which arise in the course of port utilization.

61. Create regional seaport logistics center

One of the essential ways to reduce transport cost, especially sea transport cost, is to have economies of scale of shipments. The transport charges of vessels with large loading capacities are relatively low. Using such vessels requires consolidation of shipments and development of large ports with adequate handling capacity. Hence, it is very important to build a "Regional seaport" for common usage through joint ventures and cooperation with neighboring countries.

62. Set up a procedure for disposal of abandoned and unclaimed cargo at seaports

There are a large number of consignments laying at the Port of Djibouti due to different reasons. Therefore, operational procedures will be developed and institutions will be organized to manage such cargo.

Strategy 4: Implement reliable trade and finance system to enhance logistics facilitation role.

Description of the strategy:

The main objective of this strategy is to improve the country’s trade and finance system with respect to reducing logistics time and cost and supporting the transformation of the logistics sector. To achieve this objective the following interventions are introduced.

- Sub strategy 4.1.** Establish effective and efficient trade & finance system
- Sub strategy 4.2.** Establish production network based logistics service
- Sub strategy 4.3.** Establish modern import trade distribution network

Sub strategy 4.1. Establish effective and efficient trade and finance system
Interventions

The interventions for this sub-strategy are presented as follows:

63. Establish control procedures for bank transaction payments

It is well noted that importers are subjected to excessive charges as a result of high bank fees paid to obtain bank permits and other related services. Thus, to reduce/avoid the impact of such high charges which ultimately cause increment on logistics costs, the National Bank of Ethiopia will set up a mechanism to regulate the rates for such service fees.

64. Improve foreign currency supply

The country's import cargoes lead-time from placing an order to delivery is very long. The main reason is long waiting time to obtain foreign currency permits from banks. According to feedback from many importers, the foreign currency shortage has also resulted in unequal treatment among importers. Since, this practice has a negative impact on the logistics system, this procedure should be reformed.

65. Establish accountability procedures for importers who fail to clear shipments on time from ports

The country's port dwell time for import cargo is very long. In this regard, importers should play a paramount role to reduce the dwell time. Hence, it is important to devise accountability procedures for importers who do not lift their cargo in time.

66. Promote trade transaction with neighboring countries

The share of Ethiopia's logistics cost is very high in comparison with the country's GDP as well as the value of the commodity. One of the factors contributing to this is the high shipping cost as a result of the country's trading transaction with the Far East countries. Other countries have been able to reduce their logistics costs by

strengthening their trade transaction with surrounding countries. The country's trade transactions with surrounding countries should be strengthened based on research in order to minimize national logistics cost.

67. Establish a financial support system for importers and exporters

Port dwell time for import cargo is very high. This is highly linked with importers financial shortage. Different financial instruments such as bank payment, tax and duties for customs and revenues, and other payments are required to move shipments from port. Hence, financial tools such as "Import Financing" will be established for importers in order to ensure effective trade transactions.

68. Establish simple and effective payment system for seaport service

Charges for sea port services are paid in foreign currency. The current operation has created a major problem among Ethiopian freight forwarders and Djibouti transit service providers. Sometimes Djibouti transit service providers hold cargo in custody at seaport for delayed payments. In general, a new payment system will be established that will address existing bottlenecks.

69. Establish free trade zone

Considering the country's foreign currency controlling systems and finance related policies, free trade zones will be established in selected areas to reduce the long lead time for import cargo. Free trade zones will also help to solve problems of investors engaged in manufacturing, facilitate trading processes, and reduce logistics time and cost.

Sub strategy 4.2. Establish Production Network based logistics service

Interventions

The interventions to attain this sub-strategy are presented as follows:

70. Prepare production and logistics supply master plan

It is believed that agro-processing and light manufacturing industries have a major role in the country's economic growth. Thus, availing reliable logistics services is vital to support this economic sector and enhance its global competitiveness in the world market. To this end, a national master plan that considers the country's production centers and locations will be developed and implemented.

71. Establish consolidation systems

Consolidation system will be established based on the unique characteristics of shipments or commodities.

72. Develop modern and effective logistics system for perishable goods

Perishable cargo requires special forms of carriage and facilities in accordance with the nature of shipments. Perishable cargo service providers also need special experience, training and knowledge. Hence, a logistics system will be established considering facilities and cargo handling capacities for perishable cargo.

73. Establish modern laboratory service provision

The establishment of a reliable, efficient and modern laboratory service provision is one component for providing smooth transit service for foreign trade. Laboratory services provided for the country's import and export cargo take several days due to lack

of modern laboratory. These have a negative effect on logistics process. Thus, a modern laboratory service provision system will be established.

Sub strategy 4.3. Establish modern import trade distribution network

Interventions

The interventions for this sub-strategy are presented as follows.

74. Develop master plan for modern import trade system

Modern trade distribution network is crucial to facilitate the country's import trade. Thus, modern distribution network master plan will be prepared and implemented.

75. Develop urban logistics system

Development of urban logistics freight distribution centers, development of transport network and increasing the number of urban logistics service providers are crucial to address problems which occur as a result of urban development and traffic congestion. Hence, a well-functioning urban logistics system will be established based on appropriate studies.

76. Establish green logistics system

Strong control and monitoring system will be developed and put in place to ensure that the development of logistics centers and dry ports within the country will be environment friendly to achieve the country's green development strategy.

Strategy 5: Develop Logistics Infrastructure

Description of the strategy:

The main objective of this strategy is to improve the logistics infrastructure planning, availability and management of the nation's logistics system through detailed study. The following sub-strategies are developed to achieve this objective.

Sub Strategy 5.1. Develop logistics centers and facilities

Sub Strategy 5.2. Develop transport infrastructure

Sub Strategy 5.3. Development of IT to improve the logistics system

Sub strategies 5.1 Develop logistics centers and facilities

Interventions

The following are the interventions for this sub-strategy.

77. Develop a master plan for the country logistics freight centers

Logistics centers are important nodes in the logistics chain and play important roles in delivering services to customers. Current practice shows that importers are utilizing cargo trucks and vessels as warehouse and keep their cargo for long time without unloading. The main reason is the unavailability of adequate freight/logistics centers, warehouses and terminals. Therefore, a national master plan will be prepared to develop local logistics centers in line with the countries import- export growth.

78. Transform Modjo Dry Port to green logistics hub

Modjo Dry Port is under process to be developed as a green logistics hub to provide different value-added services like export processing, packing, assembling and other logistics services in addition to existing import cargo clearance services. Furthermore, Modjo Dry Port will have a key role in the logistics sector by integrating railway and road transport, providing complete services for import and export cargo and will serve as a model for other dry ports.

79. Establish connectivity network between major production centers and logistics centers

A network that links the production centers with logistics service centers will be developed to ensure the distribution of agricultural products, manufacturing and mining products in a timely manner and at a reasonable cost throughout the country.

80. Develop cold storage and associated facilities for perishable goods

It is known that, the country has the capacity of producing perishable goods such as fruits, flowers, meat and other temperature based products. Logistics plays a key role in the process of supplying these products to market. With this in mind, logistics centers that will be built in the country will have complete facilities required for handling perishable goods. In addition, considering the current situations, various logistics facilities will be provided at the source to offer services for perishable goods.

81. Develop an integrated air freight transport centers with other transport modes and logistics centers

Ethiopian Airlines is the choice of many Africans and the airline is a leading service provider in Africa. Thus by enhancing its capacity,

the airline shall develop local cargo logistics centers that will serve as a center for Ethiopia and other countries. Therefore, air freight logistics centers will be developed with an appropriate integration with other transport and logistics centers.

Sub- strategy 5.2. Develop transport infrastructure

Interventions

The following are the interventions of this sub-strategy.

82. Develop master plan for transport infrastructure development & management

A national transport infrastructure development and management master plan will be developed and implemented to build and expand infrastructures sustainably.

83. Conduct road expansion and upgrading, and avail necessary facilities and equipment for transit corridors

This intervention shall be executed in the medium and long-term. In the medium term, road used in transit corridors will be upgraded. In the long term, road and transit corridor facilities development will be carried out based on transport infrastructure development master plan.

84. Develop and implement master plan for liquid bulk cargo logistics

The country is known to import a large amount of petroleum which is at an increasing rate year by year. As a result, construction of liquid bulk logistics facilities will be carried out within the country in accordance with the national master plan that will be prepared in the future.

Sub-Strategy 5.3 Development of IT to improve the logistics system

Interventions

The interventions to attain this sub-strategy are presented as follows:

85. Establish freight information exchange system

“Real Time Data” sharing system will be established that will enable tracking the position of shipments imported into the country or exported to foreign destinations.

86. Establish E-commerce system to minimize logistics cost and time

The global commodity trading system is now heavily supported by electronics systems which reduce the logistics process at a significant level. Therefore, a system will be established to implement E-Commerce.

87. Establish a modern terminal and corridor management system

Domestic dry ports will use comprehensive and integrated terminal operating systems. Thus, CCTV, GPS, Electronic Cargo Tracking, and other advanced vehicle assignment and shipment controlling technologies will be used in the dry ports and corridors.

Strategy 6: Strengthen regulators institutional capacity, qualifications of human capital, and create efficient governance

Description of the strategy:

This strategy aims to enhance the skill and knowledge of personnel

in the sector including regulatory institutions with the principle of continuous human resource development. Hence, the sector is led and governed by knowledgeable and skillful leaders which results in efficient logistics performance among other activities to be implemented. The following sub-strategies are designed to achieve this objective.

Sub Strategy 6.1 Strengthen regulatory offices institutional capacity

Sub Strategy 6.2 Develop human resource for the logistics sector

Sub Strategy 6.3 Create an effective structure to manage logistics in a coordinated manner

Sub Strategy 6.1 Strengthen regulatory offices institutional capacity

Interventions

The interventions for this sub-strategy are presented as follows.

88. Develop high leadership and effective coordination mechanism for the logistics sector

It is essential to establish a structure for overseeing to ensure an effective management and control of logistics services in the country. Regulatory offices are responsible to coordinate and monitor the logistics sector. Thus, vision and structure of regulatory offices shall be revised and established in line with global logistics best practices to ensure efficient logistics system leadership in the country. Auditing of national logistics services will be developed and implemented sustainably to enhance regulatory offices capability towards ensuring the performance of the operators and the sector at large.

89. Develop the institutional capacity for knowledge based leadership in logistics sector

To lead the logistics sector based on knowledge, to identify gaps through research and come up with solutions for the problems in the sector, providing continuous training, appointing focal offices and personnel for institutions having key roles for logistics system in the country are critical measures to be taken to improve the overall performance of the sector. The focal point operation will be coordinated by National Logistics Council and Logistics Transformation Office.

Sub-Strategy 6.2 Develop human resource for the logistics sector

Interventions

The following are the interventions for this sub strategy.

90. Establish logistics excellence center

Logistics excellence centers will be established to provide logistics training, develop logistics professional's qualification and this is expected to be logistics knowledge bank.

91. Develop certification program and recognition plan

There are institutions with the responsibility of issuing qualification certificates to professionals and companies engaged in the logistics sector. These include Ministry of Revenues to custom clearing agents, Maritime Affairs Authority to freight forwarders and ship agents and Ministry of Trade and Industry to traders. However, the certifications provided by these institutes are neither provided continuously nor integrated. These training are not complete; in addition, the opportunity for training is very narrow. As a result only

few professionals are certified. This has resulted in a shortage of professionals, and created knowledge and skill gaps. This in turn has a negative effect on the performance of the sector. Therefore, training programs and procedures at national level will be designed and implemented to develop the human resource for the logistics sector.

92. Create logistics information hub

There are major issues in the logistics sector with respect to availing information. Information may not be available in complete or non-fragmented manners in the sector. This hinders from comprehending the sector and its performance properly. Therefore, a national logistics information hub will be established to gather and analyze logistics information in a systematic manner, and to organize information for future decisions related to policy and operations.

93. Develop benchmark or best practices for logistics service provision

Global level system will be established and implemented to take lessons on service provision practices for freight forwarders, transport associations, and logistics service providers.

Sub strategy 6.3 Create effective organizational structure to manage logistics in a coordinated manner

Interventions

Strategy statement

Logistics system is about planning, leading and controlling the three flows i.e., cargo flow, financial flow and information flow from the point of origin to destination in a coordinated and collaborative manner. The logistics process is also a system that requires involvement of several stakeholders and institutions. As a result, it is essential for

these bodies to work in a collaborative and integrated manner in all aspects to achieve logistics objectives. Therefore, the main objective of this strategy is to provide a holistic approach to address the key problems of logistics integration in the country and to render the sector a high level leadership. The following interventions are presented to achieve the objective of this sub-strategy.

94. Establish national logistics council

In order to transform the country's logistics system and to ensure its international competitiveness with a certain degree of consistency and reliability, it is indispensable to coordinate the activities of institutions with key roles in the sector. For logistics related projects and programs, it is crucial to render a high level leadership for coordinated planning, joint leadership, and joint evaluation of different committees organized at different levels. It also requires discharging responsibilities by the respective stakeholders to ensure transformation of the logistics sector. The high level leadership is essential for passing timely decisions and enforcing of the same. The establishment of a National Logistics Council (NLC) will be enacted and the Council will comprise top officials from pertinent offices and bodies. The council will serve as the highest pillar in transforming the country's logistics system.

95. Establish logistics transformation office

The logistics transformation office (LTO) is responsible to conduct different studies, develop policy concepts, prepare reports and devise programs and crucial proposals geared towards transforming the logistics system. It is the responsibility of this office to support the Council and the Government to make decisions with accurate information and complete analysis concerning issues of the logistics sector. The office will have the responsibility to ensure full implementation of the strategy, through transforming the strategy

interventions into programs, prepare action plans and monitor their implementation, and coordinate activities of regulatory institutions and service providers in the sector. This office will be organized with academicians from logistics and supply chain and experienced professionals from the industry.

96. Establish logistics council at a regional administration level

Following the establishment of the national logistics council, councils will be established at regional administrations levels in a similar fashion to that of the national council. These councils will work in tandem with the national council.

97. Establishing urban logistics council

Considering the development of cities like Addis Ababa, the traffic congestion, air pollution and similar problems, urban logistics councils will be set up based on the peculiar prevailing situations of the city logistics.

98. Establishing logistics community

Active involvement of the private sector is vital to transform the logistics sector. In line with this, logistics communities will be established by bringing together representatives from the cargo owners, regulatory bodies, logistics service providers and academics from universities. The community will work closely with logistics professionals association and in coordination with logistics transformation office on identifying pressing issues that require the attention of the national logistics council.

Part Four:

Government Measures, Roles of Stakeholders, Follow up and Evaluation systems in Strategy Implementation

4.1 Expected Measures from the Government

It is believed that, the national logistics strategy will bring about a dramatic change in the logistics sector by curing the ailments of the country's logistics system and this will again create an enabling milieu for the national economy. Thus, following approval of the strategy, appropriate structures for execution shall be created by allocating necessary resources. Above all, the coordination of activities in the logistics sector can bear a powerful and positive impact for the sector; the task of coordination should be conducted by high-level government leadership. The National Logistics Council (NLC) is to be established by law and will be the authoritative body to oversee and direct the implementation programs of the strategy.

The national logistics council is expected to comprise of top level government officials. The National logistics council will have a secretariat arm and to that effect a transformation office will be established to plan and manage the day to day functioning of the implementation programs. The transformation office will also be dully responsible for converting the sub strategies and interventions into implementable programs and monitor their effective executions.

4.2 The role of stakeholders

There are several stakeholders that should play active roles in the implementation of this strategy, the major stakeholders and their respective roles are presented as follows.

Ministry of Finance

The Ministry of Finance and economic development will allocate adequate resources for planned projects and programs. The ministry office will also be responsible for the follow up for the proper expenditure of the resources and taking improvement measures as required.

Ministry of Trade and Industry and Its affiliated institutes

Ministry of Trade and Industry will have an ownership role on programs designed to issue trade license for the logistics service providers and monitoring their service delivery. Accordingly, the ministry will takes leading role for programs designed to to improve the procurement and distribution system of the government bulk cargo importing organizations, and to modernize the quality control and laboratory procedures for import cargoes.

In addition, the ministry is responsible to implement programs and projects to improve industrial parks export competitiveness through improving export logistics in accordance with the national logistics council directions.

Ministry of Revenues

The Ministry of Revenues will improve customs procedures, modernize corridor/border services, improve technology utilization, and implement customs related programs and projects which are developed by the Logistics Transformation Office.

Sectors under the ministry of Transport

These sectors will be responsible to execute projects and programs developed for infrastructure development, specially road construction, terminal and port development, modernizing cargo transport management, building air cargo logistics centers, scrutinizing the logistics service providers qualifications, and improving their structures.

Ethiopian Investment Commission (EIC)

The EIC executes programs and projects that are developed to provide special logistics service for the national and foreign investors involved in export manufacturing.

Ministry of Education

The Ministry of Education is expected to execute projects developed to create sufficient logistics professionals by strengthening the university-industry linkage thereby closing the knowledge and skill gap in the logistics sector.

Public Enterprises Agency

The Agency is to execute programs and projects that are developed to transform the manpower, structure and procedures of public enterprises engaged in the logistics sector.

Ministry of Agriculture

The Ministry of Agriculture is to execute programs and projects developed to enhance agricultural products for export, improve livestock export logistics, and modernize the procurement and logistics process of agricultural inputs.

Ministry of Foreign Affairs

The Ministry of Foreign Affairs will play a key role in executing programs developed to obtain reliable seaport services and negotiate with coastal countries and foreign companies for joint corridor and port developments.

National Bank

The National Bank will execute activities with focus on resolving challenges related to finance supply and foreign currency allocation as well as improve the general operating procedures.

Ethiopian Shipping and Logistics Service Enterprise

The Enterprise shall execute pertinent programs to entirely transform itself based on the directions from the council.

Development Partners

There are several countries and international organizations involved in supporting developments in logistics. In accordance with their relationship with Ethiopia, the following countries and organizations are believed to support the implementation of this strategy technically and financially.

- The World bank Group
- United Nations Development Program /UNDP
- United Nations Conference on Trade and Development/ UNCTAD
- The Government of Peoples Republic of China
- The Government of Russian Soviet Federative Socialist Republic

- The Government of India
- The Government of Japan
- The Government of South Korea
- European Union
- African Capacity-Building Foundation/ACBF
- African Development Foundation/ADF
- Agence Francaise De Development/AFD
- Asian Development Bank/ADB
- Australian Agency for International Development/AusAid
- Canadian International Development Agency/CIDA
- Commission for Research Partnership with Developing Countries/KFPE
- The Donor Committee for Enterprise Development/CDASED
- Department for International Development/DFID
- Deutsche Gesellschaft Fur Technische Zusammenarbeit /GTZ
- Deutscher Akademischer Austausch Dienst (DAAD)
- Environmental Development Action in The Third World/ ENDA
- Food and Agriculture Organization of the United Nations/ FAO
- United Nations World Food Program /WFP
- Inter-Academy Panel on International Issues /IAP
- International Centre for Agricultural Research in the Dry

Areas/ICARDA

- International Crops research institute for the semi-Arid Tropics/ ICRISAT
- International Development Research center/IDRC
- International Foundation for Science/IFS
- International Fund for Agricultural Development /IFAD
- International Institute for Sustainable Development /IISD
- Islamic Development Bank/IDB
- Japan International Cooperation Agency/JICA
- Norwegian Agency for Development Cooperation/ NORAD
- OPEC Fund for International Development/OPEC FUND
- Organization for Economic Cooperation and Development /OECD
- RAND Corporation/RAND
- Swedish International Development Cooperation Agency/SIDA
- Swiss Agency for Development and Cooperation/SDC
- Trade Mark East Africa/TMEA
- Ford Foundation
- Rockefeller Foundation
- Commercial Logistics Providers (DHL, FEDEX, UPS, 2/3/4 PL Providers etc.)

The above mentioned are the major ones. It's vital to plan and look

for organizations which are not mentioned above and seek for their support.

4.3 Direction on follow up and evaluation of strategy implementation

Implementation follow-up and evaluation reports will be prepared and presented to concerned bodies at each implementation phase in order to get the attention it deserves at a national level. In this regard, the national logistics council as a high level formation will give directions during its regular sessions. On the other hand, the Logistics transformation office will direct organizations to prepare annual implementation plans and performance reports. Stakeholders are expected to take their parts and create their own structure to follow the implementation of the strategy. It's expected that a system will be in place to audit the implementation of the strategy in detail at certain time intervals by professionals and this will provide feedback for decision making and improvement. Detailed follow-up and evaluation policy and procedure will be prepared and implemented.

