



Joint Implementation of Action Matrices of the Diagnostic Trade Study of Djibouti and Ethiopia on Transit, Transport, Trade Facilitation

SECOND WORKSHOP



11-12 May 2017

Radisson Blu Hotel, Addis Ababa, Ethiopia

Organized by

Ethiopian Ministry of Trade

and

United Nations Conference on Trade and Development (UNCTAD)

Workshop Report



1 Introduction

1.1 Background

Under the Enhanced Integrated Framework, (EIF) UNCTAD was assigned to prepare the Diagnostic Trade Integration Study updates for Djibouti and Ethiopia. Both DTIS update reports have been presented and validated.

The Trade Policy, Trade Facilitation and Transport components of the DTIS for Ethiopia and Djibouti focus on making the trading environment of both countries more efficient. It is important that the Ethiopia-Djibouti Corridor, as the main trade artery for both countries, is made more efficient, to benefit both countries, as:

- Ethiopia needs a liberal trade policy and an efficient and reliable transport and logistics network if it is to meet GTPII targets which include an expansion in the manufacturing sector, value-addition in all productive sectors and a 3-fold increase in values of exports. Currently opportunities created by low cost inputs (labour and energy) are cancelled out by factors relating to trade logistics. For instance, labour costs of making a T-shirt in Ethiopia are one-third the costs in China but logistics costs make the T-shirt the same price at market.
- Ethiopia's growth strategy has been driven by a massive public investment programme reaching almost a quarter of GDP by 2014 and accounting for around half of all growth in the economy since 2011. Spending on roads has been about 4% of GDP every year over the last 5 years and the Ethiopia-Djibouti Standard Gauge Railway has cost Ethiopia about US\$3.3 billion. However, without this expenditure on logistics infrastructure there would be limited scope to improve logistics and without improved logistics Ethiopian manufacturers and other producers will not be price competitive in most regional and international markets. In effect, the Ethiopia-Djibouti Corridor is Ethiopia's only commercial access to the sea.
- The port of Djibouti has, since 1998, handled almost all of Ethiopia's maritime traffic. To accommodate this, the port has invested in providing trade and transit facilities, important components of the economy. Djibouti has invested about US\$0.8 billion in the Standard Gauge Railway (SGR) that links with the Ethiopian section to Addis Ababa and has also invested heavily in new port infrastructure, having invested in the Doraleh Container Terminal and are a minor shareholder, with DP World being the major shareholder and manager, and in the Doraleh Multi-Purpose Port as the main shareholder and manager. With the railway and new port facilities in Djibouti, Ethiopia will be able to channel more cargo through Djibouti and Djibouti will be able to handle this additional traffic.

As a follow-up exercise to the DTIS update, UNCTAD arranged a workshop between Ethiopia and Djibouti on 2-3 November 2016 in Djibouti to discuss and agree to follow-up actions that arose from the DTIS update matrices of the two countries. The main aim was to follow up on trade facilitation aspects and what improvements could be made in the logistical performance of the section of the Djibouti-Ethiopia corridor that links Addis Ababa with Djibouti City and the ports of Djibouti. The workshop came up with the following proposals for further, follow-on, work:

- To take stock of what has been achieved by Ethiopia and Djibouti so far in terms of improvements in legislation, infrastructure and trade and transportation measures;

- To examine best practices in terms of establishing a Corridor Management Agency/Authority and make recommendations on what model should be followed;
- To recommend the mandate, composition and financing of the Corridor Management Agency/Authority and the Secretariat;
- To carry out an enhanced Time Release Study and, based on this, assess missing:
 - o infrastructure;
 - o legislation, structures and coordination mechanisms;
 - o operating procedures; and
 - o trade and transport facilitation components and coordination mechanisms;
- Assess the existing transport regulations and agreements; and
- Design a Corridor Monitoring and Reporting system

A consultant was recruited to implement the actions (terms of reference) agreed on and to prepare a project proposal for the establishment of a Corridor Management Authority for the Djibouti-Ethiopia Corridor

1.2 Objective

The main objective of the workshop is to discuss the findings of the above-mentioned report elaborated by UNCTAD to design a refined and more detailed roadmap associated with a related technical assistance proposal that will take into account the following:

- a) the technical assistance needs of the respective countries to ensure a proper functioning of the Djibouti/Addis corridor
- b) the existing technical assistance, Aid programs, and activities of other entities and donors pursuing similar or related objectives.
- c) the design of a strategy by the respective Governments of Djibouti and Ethiopia to coordinate the implementation of the action matrices at national and bilateral level on issues related to transit, transport and trade facilitation, possibly through a common management of the Djibouti-Addis corridor

2 Opening Statements

2.1 H.E.M. Bekele Bulado, Minister of Trade, Ethiopia

On behalf of the Ministry of Commerce of Ethiopia, I would like to say that this workshop is a timely and important event. Ethiopia and Djibouti have been partners for many years, with long standing and emerging relations between the two countries. Ethiopian mid- and long term visions have been formulated and are being implemented in order to place the country among the middle income countries, industrialized, economically strong and that can give better opportunities to its citizens in the coming decades. To this effect, there is a strategic plan that has been designed to create conducive environment for social and economic development of the nation from this perspective the Ethiopian Government has been formulating a five years guiding strategy and has been implementing incentives packages to guide and manage the development of the country. As a result, Ethiopia has registered a sustained a double digit annual growth rate over the past 20 years. This has transformed the image of the country to a global economy, and created capacities that can enable to achieve the vision. The registered growth broad-based, inclusive and expected to lay the foundation for a continuous growth.

In the last decades, Ethiopia went through a significant reform programme and put in place important regulatory and institutional framework to improve the business environment. In relation to this, they

realized the Diagnostic Trade Integration Study focuses on trade policy, facilitation and transports. The study shows that these elements are relevant for Djibouti too. The focus paves the way for making the business environment more efficient and effective. As the main trade artery for the two country, it is important that the Ethiopia-Djibouti Corridor be conducive and guided by the principle of a win-win situation. It is the right time to solve all existing issues along the common corridor. The relations between the two countries has now reached the highest level as we have launched the new railway from Addis to Dire Dawa and then to Djibouti, just the day before yesterday.

Let me conclude by stating that the Ethiopian Government remains deeply committed to support and materialized the results of this workshop and will thrive to gain an optimal benefit out of it. I would like to thank UNCTAD, EIF and all donor partners for their relentless efforts in materializing the workshop of today. I invite all of you to experience the conventional Ethiopian hospitality and explore the beauty of Addis.

2.2 S.E.M. Hassan Houmed Ibrahim, Minister of trade Djibouti

It is for me a true honor for me to be with you today to take part in this workshop on trade facilitation between Djibouti and Ethiopia. I take this opportunity to thank the government of Ethiopia and UNCTAD for inviting us to this important meeting and for the warm welcome we have been given.

The theme that brings us together today is truly important for both countries. It is also decisive to obtain results in terms of regional integration.

Trade facilitation through the simplification of procedures is a priority of the trade policy of the Djibouti. To this effect, in 2009, we undertook an exercise to facilitate the trade between the two countries by adopting the Bali resolution. In 2013, this allows us to put in place a national mechanism for the implementation of an agreement for trade facilitation. Furthermore, key sectors such as transports and transit and reduction in trade costs in these sectors have been given priority. We have also initiated activities in partnership with the COMESA to facilitate trade. Trade facilitation plays a crucial role in the operationalization of the agreements that have been signed by our country. The Ethiopian and Djiboutian government show the same commitments to improve the trade relations. The relations between the two countries are an example for the region and have been going on for many decades. We have had many achievements over the years, thanks to the agreements that have been signed. Our government have shown a political commitment to improve trade, modernize ports and facilitate the transport of goods. We should always remember that we need to have in place institutional agreements that facilitate the work. We must use ITC instruments to improve the trade. As an example, pilot projects have been put in place by COMESA for the tracking of goods. Other achievements have been seen in the COMESA. WE are trying to have a free movement of good along the Ethiopia Djibouti corridor and to implement a one stop border post. We want to reduce the amount of time that it takes to move a good from one country to another. Today's workshop will try to address the different issues that will help solving these problem and help to have a more fluid movement of goods along the corridor. Therefore, we this event is extremely important. It will give us the opportunity to share experiences and learn from one another. It will give indications on how to improve by learning the best practices to improve the management of the Ethiopia-Djibouti corridor in order to have a positive impact on trade and development. It will also give us the opportunity to evaluate our own situation and how to continue to work with development partners. I hope this exercise will improve and stimulate the work we have been carried out so far and I believe in fruitful deliberations.

2.3 Welcoming remark by Ms. Barbara Rippel, EIF Secretariat

Your Excellency Dr. Bekele BULADO Minister for Trade of Ethiopia,
Your Excellency Mr. Hassan Houmed IBRAHIM Minister of Trade of Djibouti,
Director Akiwumi from UNCTAD,

Dear colleagues from the various ministries and agencies of Ethiopia and Djibouti, private sector representatives, and UNCTAD,
Dear participants,

First of all, I would like to thank the Ministry of Trade of Ethiopia and UNCTAD for organizing this important 2nd workshop on the "Joint Implementation of Action Matrices of the Diagnostic Trade Study (DTIS) of Djibouti and Ethiopia on Transit, Transport, and Trade Facilitation."

Thank you very much to provide me with the opportunity to convey a few welcoming words to all participants on behalf of the Enhanced Integrated Framework Secretariat.

As you know, the Enhanced Integrated Framework program has been working with both countries for some time on enhancing trade by supporting trade-related governmental institutions to mainstream trade in both countries development agenda. Another important part of the EIF engagement has been the support for conducting Diagnostic Trade Integration Studies in both countries.

The DTIS is an important analytical instrument to identify a country's priorities and way forwards on trade-related reforms.

We therefore pleased to see that two of EIF member countries are working in close cooperation on the important issue of trade facilitation.

Trade facilitation is essential for better integration into the world economy. It can provide tangible benefits for countries by reducing trade costs and make them more competitive.

There are challenges when implementing new rules, procedures and sometimes completely new systems because technical and organizational details matter and that often requires close collaboration and sometimes harmonization. This cannot always be achieved quickly.

I am interested in listening and learning from the presentations and discussions today and tomorrow and will take the information back to Geneva to share it with my colleagues.

Again, thank you very much for the invitation and I wish all participants a successful workshop.

2.4 M. Paul Akiwumi, Director, ALDC, UNCTAD

*His Excellency Mr Hassan Houmed Ibrahim, Minister of Commerce
His Excellency Ato Bekele Bulado Minister of the Ministry of Trade,
Distinguish participants,
Ladies and gentlemen,*

It is a great pleasure and an honour for me to join you in this important and timely workshop and to come back – for the second time in less than a Month – to this beautiful and rapidly changing city. I assumed my current position as the Director of the Division on Africa, LDCs and Special Programmes at UNCTAD a few months ago and after the completion of the Diagnostic Trade Integration Studies (DTISs) of Ethiopia and Djibouti.

I am sure you will agree with me that the policy analysis and the Action Matrices presented in these studies have increased our understanding of the critical role played by trade in the economic development of Ethiopia and Djibouti and the challenges that are still remaining in making trade an important engine of growth and economic transformation.

This workshop, however, is about the future and the way forward. In this respect, it has a special significant - because it is about the implementation of concrete actions rather than backward looking analysis; it is also about how to strengthen trade routes through tangible and joint regional actions;

how to improve the efficiency of a trade corridor that has emerged as a lifeline for integration of landlocked Ethiopia and its transit neighbour, Djibouti, into the global economy; and finally, it is about taking policy decisions on joint solutions to common cross-border challenges

At UNCTAD, we promote and facilitate trade – not for the sake of trading – but because it is an important driver of growth, employment, poverty reduction and economic and social development (as demonstrated by the recent experiences of many countries in Asia and Africa). It is not surprising, therefore, that trade is viewed by the international community as an integral and critical part of the implementation of the 2030 Agenda for Sustainable development and the SDGs under Goal 17: “revitalize Global partnership for sustainable development”. Three specific targets are identified to strengthen trade-related global partnership. These include: “the promotion of a universal, rules-based, open, non-discriminatory and equitable multilateral trading system” (target 17.10), “the increase of developing countries’ exports (Target 17.11), and the “implementation of duty-free and quota-free market access for all least developed countries with simple and transparent rules of origin” (Target 17.12).

In the same vein, trade features prominently in African Union’s 2063 Vision for African development - through “Boosting Intra-Africa Trade” and the establishment of “Continental Free Trade Area (CFTA)”. These are all laudable objectives but their success depends on the implementation of concrete trade-related capacity-building projects and the strengthening cross-border trade and transport routes.

This is where the Enhanced Integrated Framework (EIF) – a LDC-focused multilateral trade-for-aid initiative – can be an effective mechanism for boosting LDCs’ supply and trading capacities. As you know, the EIF has two main instruments for delivering trade-related support to LDCs. The first involves, conducting trade diagnostic study and identifying priority areas through detailed Action Matrix where further assistance is required. The second involves translating the Action Matrix into concrete technical cooperation activities and implementing them with the assistance from EIF’s Tier II funding window and by soliciting further support from bilateral donors. For Ethiopia and Djibouti, we are now at the second stage and I hope you will take advantage of this post-DTIS workshop to reach at a concrete decision on the topic to be addressed today and tomorrow.

UNCTAD was honored to be requested by the Governments of both Djibouti and Ethiopia to carry out their respective DTIS and identify specific areas where urgent attention and policy actions are required. The topic of this workshop, “Transit, Transport and Trade Facilitation”, with a special focus on the efficient operation of the Ethiopia-Djibouti trade corridor through joint-management system – is one of the priority areas that UNCTAD has identified for implementation through joint actions.

It is worth noting that UNCTAD’s analysis and recommendations are based on the organization’s long and extensive experience in conducting trade policy analysis and assessment of immediate trade-related constraints facing developing countries. In the last six years alone, UNCTAD has carried DTIS in seven LDCs starting with the Gambia, then Senegal, Mali, Niger, Mozambique, Djibouti and, more recently, Ethiopia.

One of the important lessons from these diagnostic studies is the similarity in the challenges and constraints faced by many of these countries, especially the landlocked and transit countries. What was even more interesting was that although the challenges identified were often perceived - by policy makers and other stakeholders alike - from a national perspective, the solutions to these challenges required cross-border cooperation and joint-actions to be taken at regional or sub-regional level. UNCTAD presented this interesting and overwhelming evidence gathered mainly from the West African experience in a workshop organized jointly with the EIF secretariat during the EIF Board meeting held in the Gambia in June 2014. After a thorough consideration of the evidence, the workshop concluded that the case for a ‘regional dimension’ in the EIF’s support to the LDCs is compelling and that Phase Two should incorporate such schemes into its Tier II financing programme. .

I am glad to report that Phase Two of the EIF-initiative, which started this year, has now fully recognized the importance of the regional dimension in implementing Transit, Transport and Trade Facilitation-related challenges. Indeed, the implementation of the Action Matrices of Ethiopia and Djibouti through a joint project on Transit, Transport and trade facilitation provides a timely opportunity to operationalize EIF's new Phase Two mandate. Not to do so – after the overwhelming evidence to the contrary and at a time when the two countries are working hard to strengthen their trade corridor – will be a missed opportunity for EIF to apply a joint and regional approach to cross-border problems. We believe that the regional dimension in the context of the Ethiopia-Djibouti trade corridor should be given greater attention by both the EIF and bilateral donors.

Mr Chairman,

At this point, I wish also to highlight that – although there is a long history of cooperation and friendship between Djibouti and Ethiopia, UNCTAD believes that the timing is especially right now for enhancing joint Djibouti-Ethiopia collaboration on Transit, Transport and Trade Facilitation-related issues for at least three reasons:

First, either by design or coincidence, the two countries have been the subject of trade diagnostic studies recently - carried out by the same partner agency UNCTAD - which has identified similar constraints and challenges in Transit, Transport and Trade Facilitation-related areas. As stated by UNCTAD Secretary General during the DTIS validation workshop in Djibouti on 16 February 2015, Djibouti has successfully built comparative advantages in trade facilitation - which relate to the port and the corresponding transport and logistics activities. However, trade facilitation and logistics for a corridor cannot be carried out in isolation. They require coordination with partner countries, in this case Ethiopia. This was confirmed by the DTIS of Ethiopia (validated in 2016) which highlighted the common commercial priorities of the two countries, in particular as regards cross-border issues related to Transit, Transport and Trade Facilitation. In fact, in recognition of the common challenges, UNCTAD organized the first joint workshop in Djibouti on 2-3 November 2016 to discuss joint implementation of the DTISs action matrices. At the end of the workshop, the participants representing both countries requested UNCTAD to carry out a diagnosis on the status and existing challenges in the operationalization of the Ethiopia-Djibouti trade corridor, including recommendations – based on best practices - for the establishment of a joint trade corridor management system.

Second, international trade has emerged as the key driver of growth and economic transformation for both Djibouti and Ethiopia. As a transit country, and the main trade route for Ethiopia's exports and imports (I understand up to 95% of Ethiopia's surface trade passes through Djibouti), trade-related service provision is a key driver of Djibouti's economy. Similarly, Ethiopia's current five-year plan - under the Growth and Transformation Plan II – aims to achieve double-digit growth rate and economic transformation by lifting export capacity by more than three-fold and shifting the composition of exports from agricultural-based to manufactures. In fact, the success or failure of the five-year plan and the country's current economic diversification strategy totally depends on the country's trade performance. It is evident, therefore, that improving the efficiency in which Ethiopia's export-and-import trade could be facilitated through Djibouti will have a significant positive impact on both countries.

You may have seen a recent interview given by Dr Arkebe Oqubay, Minister and special advisor to the Prime Minister of Ethiopia, to a well-known magazine on Apparel and Textile Industry news – Just-Style – where he referred to Ethiopia's ambitious goal to export US\$30 Billion worth of textile and garments by 2025. He highlighted that, "Speed to market is a critical issue to the apparel industry; it is the final determining factor to being competitive. And you can only achieve this if it's fully integrated with all materials supplied locally. Another key component in delivering speed, of course, is logistical efficiency, and this too is being tackled. Being vertical is one way to be fast and flexible, but in the meantime the inputs for apparel made in landlocked Ethiopia – and the finished products themselves –

have to be transported to and from the neighbouring Red Sea port of Djibouti, a process that is both slow and expensive”.

The conclusion from this analysis is simple – that a joint approach to tackling transit, transport and trade facilitation-related deficiencies in the trade route linking Ethiopia and Djibouti is mutually beneficial and, therefore, no longer a choice but a necessity. Let me stress here that this is not to imply that collaboration and joint-measures are not happening now. On the contrary, the two countries collaborate at all levels and the recent completion of a modern railway line linking the two countries and costing nearly 4 billion dollars, is one good example. However, as we will see in the course of today and tomorrow, more can be done and hopefully this workshop will point to some of the areas where further joint-actions will be necessary.

Third, the completion of the new Addis Ababa-Djibouti railway line - also makes it timely and urgent that this ambitious and expensive project is backed by the legal, regulatory and institutional systems necessary to make this route an important trade and development corridor. Both Djibouti and Ethiopia have been investing heavily on “hard” infrastructure aimed at making the Ethiopia-Djibouti trade corridor effective and more efficient. The railway line is only one example – other examples are the heavy investments made in upgrading trunk roads and the development of the Doraleh Multipurpose Port. As you know, however, the development of an effective trade corridor requires investment not only in “hard infrastructure” but also in “soft infrastructure”, including customs clearance procedures, removing bottlenecks in transport logistics, cross-border transport laws, regulations-related to border crossing, etc. In fact, investment on hard infrastructure only, while neglecting the “soft” infrastructure, could lead to an inefficient use of the hard infrastructure created.

One of the important lessons from the experiences of more successful trade corridors is that - it is impossible to fully improve the entire cross-border transport system in a trade corridor by focusing on either the “hard” or “soft”-side of infrastructure in isolation. A holistic approach, including joint management, is required to maximize the synergy between hard and soft infrastructure along the corridor.

This is where – I believe – the findings and recommendations of the UNCTAD report presented to this workshop can make useful contributions in translating the Action Matrices of the two Diagnostic Studies into a concrete project to be developed through support by the EIF. This is the main recommendation of the report. Indeed, this particular point is directly aimed at Ethiopia since it has not yet benefitted from EIF Tier 2 assistance and this is a unique opportunity not only to secure a Tier II project but also to be part of the very first cross-border EIF project.

Obviously, an EIF Tier 2 project cannot meet all of the logistical needs and requirements identified in the report but I am convinced that such a Tier 2 project could leverage support from other donors to develop a joint Djibouti-Ethiopia corridor management authority.

I hope that by the end of this workshop, we can do exactly that. I look forward to learning more from our experts and from the discussion in general.

Thank you for your attention

3 Summary of Sessions

3.1 SESSION 1 – Moderated by Mr. Muse MINDAYE

Director, multilateral Trade Relation & Negotiation, FDRE Ministry of Trade

Mr. MINDAYE thanked UNCTAD for the preparation of the paper and organization of the workshop and introduced the topic of trade facilitation in Ethiopia. He highlighted that the question has been extensively covered by the DTIS update and is highly relevant for the development of the country as 95% of trade is transiting to the port of Djibouti. He highlighted the problems of poor logistics along the corridor and recall that the workshop is a continuation of a process that has been launched in November 2016 during a first bilateral workshop that took place in Djibouti. He briefly described the UNCTAD study to be discussed during the workshop

3.1.1 Messages from the Ethiopian and Djiboutian DTIS: the critical importance of inter-ministerial coordination during the implementation of actions matrices on transit, transport and trade facilitation

Mr. Taffere TESFACHEW, former UNCTAD Director

Summary of the presentation

Mr. Tesfachew reported its personal involvement in the DTIS process not only in Ethiopia and Djibouti but of several additional countries over the last five years and thanked Mr. Inama and UNCTAD for inviting him to share his experience.

Mr. Tesfachew insisted on the fact that this workshop has to focus on implementation and follow-up capacity-building activities. More precisely, he pointed out that that the Ethiopia-Djibouti corridor has already been extensively studied and that therefore, the purpose of the meeting is not to agree on additional studies but rather to initiate concrete actions through a political decision for implementation projects. He also recall that the recommendations of the first DTIS had not been implemented and that this time Ethiopia should not miss the opportunities to move forward. DTIS are not meant to remain just studies.

Mr. Tesfachew's presentation focused on few lessons learned about the DTIS process while he encouraged his colleagues Mr. Pearson and M. Inama to focus on concrete actions and reality checks regarding the management of the Addis-Djibouti trade corridor. The major issued highlighted by Mr. Tesfachew's presentation are reported blow:

- For both countries, Djibouti and Ethiopia, Trade led growth and development is not simply a choice but a necessity based on their static and dynamic comparative advantage and their geographical location. It is not a surprise that the national development objectives and vision of both countries revolve around trade and trade-related infrastructures as a main driver for growth, structural transformation and poverty reduction.
- With a population of about one million, Djibouti small size economy and strategic location call for growth and development strategies based on the production of trade related services for the region. In the longer run, Djibouti has the potential to become a gateway to COMESA region. The starting point of the DTIS was therefore how to translate this comparative advantage into an economic force for inclusive growth sustainable development, and poverty reduction. In this context, a special emphasis has been put on transit, transport and trade facilitation issues. With respect to its comparative advantage, Djibouti has massively invested in its ports, trade facilitation and logistics capacities. However, there are still areas for opportunities and room

for improvement, in particular basic infrastructures, both hard and soft, and the coordination of the two.

- With a large population growing at about 2.4% a year, the situation of Ethiopia is quite different. International trade is expected to generate employment opportunities for the millions of people joining the labor market every year. At present, 1.7 million of people join the labor market every year, and this figure is expected to rise to 3.2 millions after 2030. In 2040, the population is expected to stabilize. By then, the population is expected to double. The shift from commodities to manufacture goods based exports and the generation of massive surplus, is also expected. Exports of garments and textile are expected to grow significantly from its current level of 115 million. However, very ambitious growth will not be achieved unless Ethiopia is able to deliver goods and services and to acquire the imports necessary for export production on time, and at the lowest cost possible. This implies that trade facilitation, transit, transport and the development of both, soft and hard infrastructures in essential. However, governments tend to focus on hard infrastructures.
- The main message of the DTIS of both countries is that trade facilitation is not only about physical infrastructures. According to a World Bank studies, on average only one quarter of trade delays is due to poor road and port infrastructures while 75% is due to administrative hurdles, customs procedures, taxes, clearances, cargo inspections even before the containers reach the port. The key message is very clear: **In trade facilitation, the developments of both, hard and soft infrastructures, are intrinsically linked and have to be developed together.**
- As highlighted in the DTIS of Ethiopia and Djibouti, there is an overwhelming evidence that given their trade driven growth and development strategies, undertaking the necessary infrastructural change and improvement in trade facilitation can be a game changer for both countries. But to success, they need to work together to solve the trade facilitation issues and obstacles faced so far.
- UNCTAD gained a lot of experience and expertise while conducting the DTIS of Senegal and the Gambia (transit countries), Mali and Niger (landlocked countries). Some key factors to success in cross border trade facilitation work have been identified: strong political will and clear understanding of the needs and benefits of trade facilitation for the economy.
- In the case of Ethiopia and Djibouti, there is no doubt about the political will as demonstrated by the huge amount devoted to develop infrastructures (although mostly hard infrastructures). There is also an understanding about the benefits, which nevertheless remain incomplete.
- In most countries where UNCTAD conducted the DTIS process, not only Ethiopia and Djibouti, a repeated issued was the need for coordination at all level, sectoral, national, across countries. Everybody knows that coordination is good but it remains very difficult to implement. In the context of trade facilitation, logistics, services cutting across different ministries, sectors, activities, coordination become even more vital. Coordination will therefore be a major part of the project proposal that will be presented today.
- There is a need to pay attention to details in formulating policies. We can spend four billions dollars to construct a railway but the operation can be strongly affected if small procedural rules and regulations are not looked into attentively from the beginning. The failure of paying attention to details and ensure coherence can generate a failure of the whole system.

The moderator summarized the presentation with three points: (1) the first step is to conduct studies (2) the second step is to go to decision and actions (3) we should work together

3.1.2 Presentation on clearance of goods procedures on the Addis Ababa – Djibouti City Trade and Transit Corridor.

Mr. Stefano INAMA and Mr. Mark PEARSON, UNCTAD

Summary of the background and introduction of the report by Mr. Stefano Inama

Mr. Inama introduced the logical sequencing of the report and when starting to talk about trade facilitation and clearance of goods and logistics. What is the rationale and background leading to the willingness to address these issues?

During the implementation of Djibouti and Ethiopia DTIS, UNCTAD realized that both countries had invested massively in infrastructures as a mean to develop trade and economic growth. The development plans of Djibouti focuses on developing trade and logistics hubs while the GTP II is mainly directed at export led-growth, manufacturing of textile and garment, etc. The two development plans are complements as the port of Djibouti is meant to serve the manufacturing hubs, it is a channel to import inputs for manufacturing in the industrial parks, and then export the finished goods to the world market. To do that, you need to reduce the trade costs otherwise it will be impossible to be competitive, in particular in the garments sector with the strong competition by China, Vietnam, Cambodia, Bangladesh, etc. The logistic and value chains have to be seamless. This imply trade facilitation measures and logistics along the corridors that are leading to reduce trade costs and make the country competitive in importing and exporting. This cannot be achieved alone.

To reduce trade cost, trade facilitation measures aiming to address the bottlenecks along the whole corridor, in both countries, have to be adopted and applied.

DTIS have to set priorities. In this case, the message is clear. UNCTAD's Secretary General, in February 2015 indicated that Djibouti has successfully developed a comparative advantage on trade facilitation and logistics but this cannot be done in isolation and has to be done with Ethiopia as the port will serve the Ethiopian industrial park. In Ethiopia, an advisor to the prime minister indicated that the ambitious plan of export-led growth for garments and textile indicated that the inputs have to come from Djibouti into Ethiopia and out from Ethiopia to the world using the port of Djibouti, and the life of this virtuous circle is the corridor.

In November 2016, UNCTAD brought together representatives of the two countries to discuss these issues. At the end of the workshop, UNCTAD received the mandate to conduct a study to assess the functioning of the corridor and to make recommendation on how the management could be improved. This is what M. Pearson is going to present.

Trade facilitation relates to the World Trade Organization agreement. As a member of WTO, at a certain point, Djibouti will be bound to implement the TFA. Ethiopia has no obligation. However, nothing impedes the two countries to take the TFA and best practices for trade facilitation as a framework to work together. The TFA reflects many issues that are already contained in COMESA or in the Tripartite FTA. Issues are not new, but the implementation is missing. For this reason, we need the political will. The recommendations of the DTIS action matrices of both countries is to use the TFA as a framework (guidelines) to improve customs procedures and address bottlenecks along the corridor. The bottlenecks that have been identified along the corridor have to be linked to the TFA that can provide insights and/or solutions to address them. Mr. Inama then gave the floor to Mr. Mark Pearson, the UNCTAD's consultant who carried out this exercise.

Introduction by Mr. Mark Pearson

Mr. Mark Pearson explained that the study presented today is not just a standard study but is paving the way for a concrete project proposal on how to operate and manage all the hard infrastructures that have been developed by both, Ethiopia and Djibouti. It is therefore a logistics issue: organizing, picking up the articles of clothing, putting them in containers, putting the containers onto the ships, etc. As an illustration of how logistics can affect competitiveness, we can think of the cost of manufacturing textile in Ethiopia that is about one third of the cost of China. However, adding up the costs of logistics, the market cost is about the same.

There will be three presentations about: (i) customs procedures, (ii) how the service delivery of infrastructure could be improved, and (iii) the proposal corridor management structure. It is important to get the facts right but what is even more important is to come up with a proposal we all agree on.

It is already agreed that there is a need for a management structure. The challenge is to decide which kind of management structure the governments want.

Summary the presentation by Mark Pearson [see ppt. presentation DECMA CUSTOMS]

Mr. Pearson recall that both countries have invested heavily in infrastructure as a means to develop trade and economic growth (port, roads, ICDs and railway). Indeed, the development plans of Djibouti focus on services and logistics trade and Ethiopia on manufacturing-export led growth. It is crucial for both countries to reduce trade costs for importing inputs to manufacture goods for exports through efficient logistics. This implies the need for an effective Corridor management.

Trade facilitation is about best practices on how to streamline customs related procedures to reduce trade costs. By taking simple “soft” TF measures Rwanda reduced from 38 to 26 days the time for export.

The consultant highlighted the importance of the WTO Trade Facilitation Agreement in the establishment of the management structure of the corridor and in general to reduce trade costs along the corridor. The WTO TFA contains a number of best practices that should progressively be adopted. As a WTO member, Djibouti will implement the WTO TFA while Ethiopia does not face any obligation. However, even if Ethiopia is non-member of WTO, the TFA offers a framework to jointly tackle the persisting problems affecting customs procedures along the corridor. In fact, many of the TFA provisions are already present in COMESA and TFTA, especially related to transit.

Ethiopia and Djibouti may use the TFA as a guidance to improve customs procedures and link them with trade logistics along the corridor. It may be envisaged to coordinate a joint implementation of selected TFA provisions ex: Article 11 on transit and 10.2 Single window. The remaining part of this presentation focuses on the customs and trade facilitation topics as identified along the corridor according to the November 2016 workshop recommendations.

Regarding customs procedures and regulation, the consultant explained that we have to interrogate not only about how well the process is conducted but whether or not you need to conduct the process at all. In modern days with new IT systems, inter-connexion possibilities, etc, do we need to have all the regulations in place?

Mr. Pearson detailed all the import and export regulation, describing the process and the role of the various stakeholders. He also reported the major difficulties and constraints to export and import and the administrative requirements (letter of credit or cash against document requirements, export permit, quality testing and certification, use of clearing agents, registration for VAT, etc). Figures 1 and 2 summarize the import and export processes.

Figure 1 – Summary of Import Process

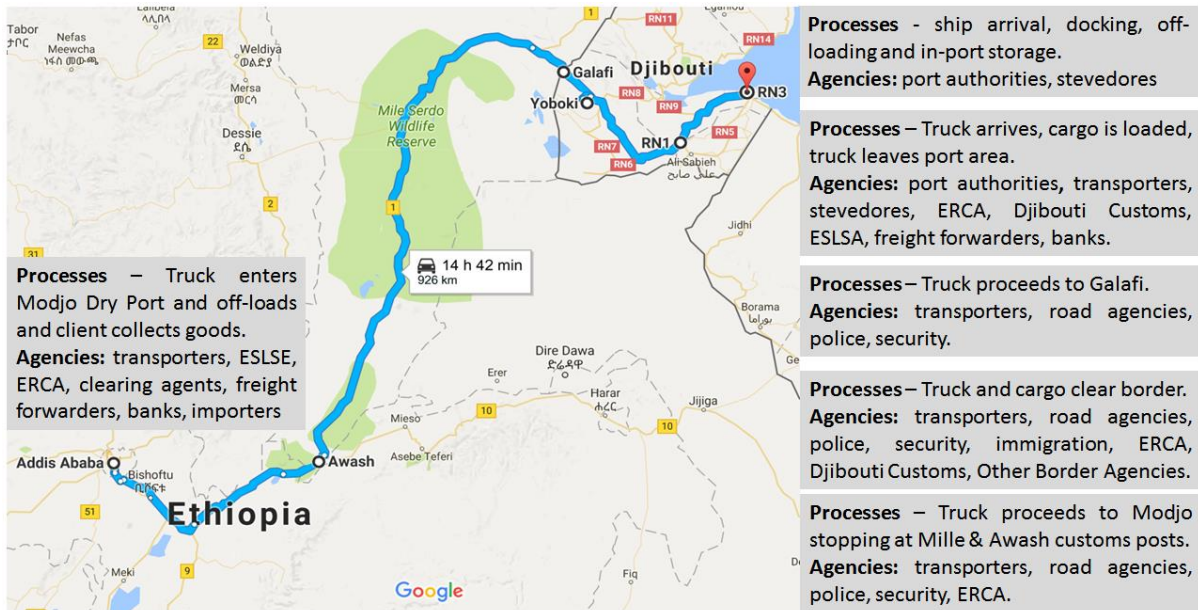
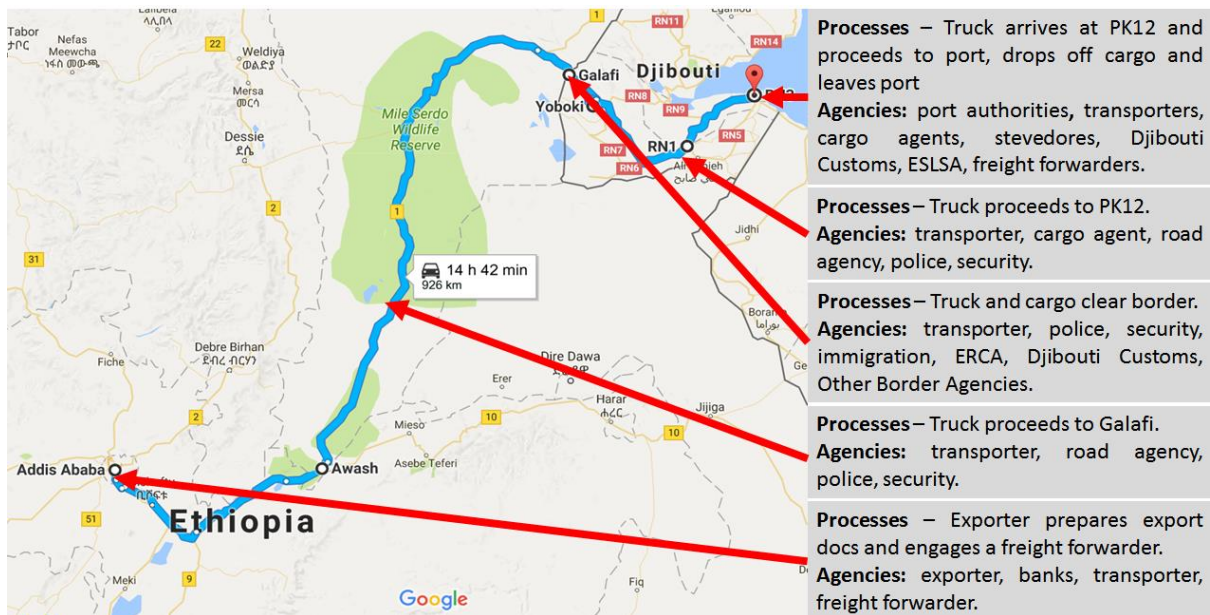


Figure 2 – Summary of Export Process



The main stakeholders on the corridor who have to be involved in the management structures are:

- Ethiopian Revenue and Customs Authority
- Djibouti Customs
- Djibouti Ports and Free Zones Authority
- Ethiopian Shipping and Logistics Services Enterprise
- Ethiopia-Djibouti Railway Company
- Ethiopian and Djiboutian Ministries of Transport and Trade
- Horizon Djibouti Terminals Ltd
- Ethiopian Petroleum Supply Enterprise
- Ethiopian Road Transport Authority
- Freight Forwarders

- Trucking Companies

Mr. Pearson then described the clearance of goods procedures at the Galafi Border Post in Ethiopia, identifying the major constraints and impediments to trade. He started with the import process, distinguishing between unimodal and multimodal trade. He continued with the export process providing a lot of details and illustration of the Galafi Border Post. He highlighted that the biggest constraint in this border post is the lack of power supply. The system is efficient and can take only 20 to 30 minutes in normal conditions. However, in the absence of electricity and internet, nothing happens and it can therefore take hours or days. In addition, exports are not scanned at Galafi, the two scanners are used for imports only. Finally, there is a capacity problem, trucks cannot easily get out of the queue because of lack of space.

Mr. Pearson concluded with the following recommendations:

- ERCA should fast-track the implementation of the “new” customs management system being developed by Webb-Fontaine.
- ERCA should ensure complete compatibility between the Webb Fontaine system and ASYCUDA World used by Djibouti Customs, especially the transit system so that a transit document issued by one system can be seamlessly used by another system.
- ERCA and Djibouti Customs should ensure that their Electronic Single Window Systems are compatible and data can be shared between the two.
- Ethiopia could pre-clear all cargo in Djibouti and replace the multimodal/unimodal system with a preclearance system, with a bond in place through the customs territory of Djibouti, and which is available to all importers. A similar system could also be instituted for exports.
- Ethiopia and Djibouti should invest in a regional cargo tracking system that would automatically track cargo (either using RFID readers at the side of the road or via GPS or a combination of both). This would have the added advantage of trucks not having to stop at Mille and Awash customs checkpoints.
- Where possible, Ethiopia should redesign and remap the import and export processes and eliminate unnecessary functions.
- Ethiopia and Djibouti should consider investing in the development of infrastructure at the border at Galafi, preferably in a purpose-designed One-Stop Border Post where facilities (scanners and weighbridges) can be shared

Following the presentation, the moderator called for interventions from the customs representatives.

Discussions/Interventions

Mr. Wegayehu ADAMU, ERCA, supported by one colleague from ERCA

- The document covered a lot of different aspects along the corridor
- At the national level, Ethiopia has a clear transit procedure that includes three components: transit, warehouse and clearance.
- The document by the consultant gives the impression that there is customs clearance at entry and exit point. However, we have a clear transit procedure and in designated transit road, there is no need for clearance at all.
- Regarding unimodal transit, according to our procedure initiated from Ethiopia, there is a self-assessment declaration by the importer in Ethiopia. Then the importer has to declare first, pay duties and taxes. Then they will send a document to Djibouti. Once a T1 is generated from our customs branch in Djibouti, there is no T1 generated in Galafi.
- Regarding multimodal trade, the document points out that there is no customs guarantee bond. However, on our side, the multimodal operator Ethiopian Shipping Line has a general customs guarantee bond for multimodal operations.

- There is a clear procedure for imports and exports. Therefore, the document should better explained and describe the clearance and transit procedures as well as Unimodal vs. Multimodal procedures. For example, page 15 has to be revised (customs clearance export procedures).
- With clearance at entry and exist point we will not facilitate transit at all. In Ethiopia, the clearance is carried out at the final destination, not at the entry and exit point.
- The documents states all the bottlenecks we are facing on the corridor. In addition to the procedural problems, the infrastructure problem are real. We should alleviate the compatibility problems within the Ethiopian and Djiboutian side. Ethiopia is adopting a new system similar to ASYCUDA world which can generate problems. Everything stated in the document is real and we need to address these issues.

Mr. Kabir Hamza, Djibouti Customs

- Mr. Kabir thanks Mr. Pearson for the quality of the report and for the identification of existing problems that provides additional motivation to find solutions together.
- For many years, customs have been assigned the role of trade facilitators. For this reason, in 2008, Djibouti and Ethiopia signed a bilateral agreement to work together to harmonize the documents and simplify procedures, in light of the COMESA recommendations.
- Customs have worked together and committees have been established.
- Djibouti customs is using ASYCUDA World developed by UNCTAD. The system is functional from the port to the exit point in Djibouti. We are concerned about potential problems of interconnexion with the new system that will be adopted by Ethiopia.
- In the report, it is mentioned that T1 is canceled in Djibouti. The goal is not to cancel but to validate the official release of the good from the country.
- For multimodal trade, as soon as all the formalities with the operator and freight forwarders have been completed, the declaration, T1, being generated by the freight forwarder, the only task performed by the customs is to validate the T1 and give it back to the freight forwarder who will give it to the driver or carrier.
- At the exit of Djibouti, the T1 is scanned which triggers the departure. Everything is then transmitted to ERCA automatically at the final destination. Hence, the role of customs officers is only to check the seals, means of transport and containers. In few minutes, the goods can leave the port terminal.
- Unlike what is written in the document, it is not the freight forwarder or the importer who pays the costs, but it is the Djibouti freight forwarders who pay all the port charges. The document has to take that into account, in particular in point 3.4 where it is mentioned that the customer has to pay all fees, and then the process begins.
- Mr. Kabir reiterated the desire to work hand in hand with the Ethiopian customs. Some tests will be implemented for the interconnection of the two systems.

The moderator summarized the session and asked some questions:

- Unimodal vs multimodal transport: ESLS should clarify.
- Road and railway: some parts of the roads are in poor conditions, what progress can we make on that?
- Infrastructures issues also on the Djibouti side? Can the ministry of transport answer the question?
- What can we do regarding the problem of space in Galafi?

Mr. Sirage? ESLE

- The report says that transports arrangements: truckers have to wait or deal with the broker to get cargo and pay 3000 per containers. This is sensitive information and we have to fully understand what it means.
- For the cargos coming through the multimodal system, through one contract the carrier is responsible to carry the cargo from to the port of loading to the port discharge which is the inland container terminal, the bonded warehouse or wherever the manufacturer want to discharge their cargo. Under this system, the carrier (ESLE) is responsible to arrange all the ships for ocean transports and trucks for land transports. This can be done through several partnerships. For example, ESLE its own vessels and can also used third parties vessels.
- Regarding clearance, On page 18, it says that ESLE does all the clearance in Djibouti in its own office. However, this is wrong and should be corrected. ESLE does not do any clearance in Djibouti by itself. ESLE has associations of Djiboutians freight forwarders (ex. ATD). The Djiboutian freight forwarders take care of the clearance of all multimodal cargo. The office of Djibouti transfers the money from Addis to Djibouti and they pay the money to Djiboutian freight forwarders in Djibouti. Our branch in Djibouti is member of ATD.
- ELSE use truckers associations from both countries, Djibouti and Ethiopia. ELSE has about 300 trucks from the Djiboutian side and 3000 from Ethiopia. These truckers do not pay anything to get the cargo. Cargo is assigned to trucks by ELSE office in Djibouti and collect the T1 generated by customs and distribute it to the transporters. The clearance is done by the freight forwarder in Djibouti. The ESLE office in Djibouti is there to facilitate trade. It is therefore not true that truckers have to pay 3000.
- Under unimodal, there are two systems of transports: commercial system (consignee arrangement). The cargo owner has a contract with a transport company either in Djibouti or Ethiopia and will inform the forwarders Djibouti to load his/her cargo on that specific truck. These truckers will not pay anything. Only the people who have not organized the transport beforehand, that is, who are trying to load their cargo on any truck will pay the 3000. In this case, the common way to proceed is to find a broker who will collect the 3000 and will find a truck. It is a seasonal phenomenon, depending on the shortage of cargo or not.
- Under the multimodal system, there is no clearance or inspection by Ethiopian customs in Djibouti. The T1 will be generated by Djibouti customs and the driver will collect the T1 and then leave.
- ELSE expressed concerns about the pre-clearance. They do not want to leave multimodal to go back to preclearance system as the multimodal as strongly improved over years. However, from further clarification, it appears to be a misunderstanding. **The report is not suggesting to leave the multimodal system but should explain more precisely what “pre-clearance” means.**
- The multimodal system has significantly improved, the average waiting time of a container cargo in Djibouti is 7 days from the last figures we have for the last 10 months. In 2011, it was more than 44 days.
- The amount of cargo that is moved through the multimodal system increased from 12’000 TU to 150’000 TU. This shows how trade has been facilitated by the multimodal system.
- Some other figures need to be adjusted. The percentage of cargo (containers, steel, vehicles, etc..) that ELSE is moving is 65% the General Cargo and not of the dry bulk.(ESLS is not moving the dry bulk).
- The report states that ESLE is not engaged in unimodal. However, ESLS is engage in several areas under unimodal. The ELSE vessels carry the cargo discharged at Djibouti either for Djiboutian or Ethiopian importer. Therefore, the shipping sector is engaged in unimodal. For bulk cargo (grain and wheat) imported by the Ethiopian Governement, ELSE is engaged as forwarders.

Mr. Kabir Hamza, Djibouti Customs

- Mr. Kabir requested additional information regarding the recommendation on the Pre-clearance which remains unclear.

Mr. Mahamoud HOUSSEIN DIRIEH, DFZPA

- Mr. Houssein also requested additional information regarding the pre-clearance of goods.
- Mr. Houssein gave a brief presentation about the development of platforms in the port of Djibouti. He documented the recent expansion of the Port and the productivity increase.
- Today, between 250 and 300 loaded trucks are departing every day from the oil port.
- In Doraleh container terminal (operational since January 2009) delivers from 550 to 600 containers are per day
- In the Doraleh Multipurpose Port: 500 loaded trucks departing every day on average.
- In PK12, and regarding unimodal vs. multimodal, ELSE is in charge of transporting the cargo from the port of loading to Mojo Dry Port (containers and various cargo).
- In some seasons, periods, in particular when bulk cargo are very important, there is often a shortage of trucks in the port of Djibouti. This is highly problematic as at the same time, we can observe thousands of trucks waiting in PK-12 while some vessels have to wait for days/months to discharge the cargo because of a lack of trucks. This negatively affect the productivity and image of the port and Djibouti port authorities do not have solution so far.

National Bank of Ethiopia

- The importers have to go to the commercial bank to get foreign exchange and not to the central bank for approval of foreign exchange, as stated in the report. This has therefore to be corrected.
- The commercial bank deduct the amount from the local account of the importer and then pay the supplier in foreign currency on behalf of the importer.
- The national bank has therefore to follow up when the commercial banks provide foreign exchanges to importers. In this case, the importers have the obligation to declare the good that they want to import.
- Customs check points for trucks coming to Ethiopia is justified by the contraband problems. We need insights on how customs can control contraband. Some country experiences and best practices would be welcome.
- ESLSE give waiver for the importers not the national bank such as it has been stated.

Ethiopian Ministry of Agriculture:

- Ethiopian import process: need a phytosanitary certificate. It is not mentioned in the report.
- Missing abbreviations (ex. ASYCUDA, PK-12, VAT)

Mr. Kabir Hamza, Djibouti Customs

- Point 3.3.4. of the report has to be corrected. *“However clearing agents can go to ELSE and ask about the status of the vessel”*. This is not the case. The Djiboutian freight forwarders are cannot go to ELSE to request the status of the ship.

ESLSE.

- Why is there cargo in Djibouti and trucks in PK-12? This is one of the main critical issue. I would like the consultant to provide an answer to that question.
- The types of trucks that we use is not suitable for the type of cargo that we import. The trucks have low capacities while the cargo nature is changing. There is no regulation or fee regarding the weight of the cargo. Hence, truckers try to load as much as they can.
- Regarding the sentence in 3.3.4, the sentence should be correct by *“Each shipping agents”* instead of *“ELSE”*

Mark Pearson, UNCTAD Consultant

- 3000 birr: it is not suggested that this is what happens in the multimodal system. It is just a way to show how much it cost to move cargo from Djibouti to Ethiopia not a way to say that this is a specific burden on truckers.
- National bank is correct will modify the mistake.
- Multimodal system is a form of preclearance.
- Pre-clearance recommendation: the suggestion is about doing an initial self-assessment and then the customs can say if it is misclassified or report some errors and clear it in Mojo.
- Recognizing the need to take care of sanitary and phytosanitary measures.
- Issues on transport will be addressed in the afternoon.

3.1.3 Transport services and transport infrastructure on the Addis Ababa – Djibouti City Trade and Transit Corridor

Mr. Mark PEARSON, UNCTAD Consultant

The moderator, Mamo E. MIHRETU, World Bank Group, Ethiopia, made a brief introduction about the logistics trade in Ethiopia. The following observation have been made:

1. The Ethiopia-Djibouti corridor is and will remain the principal trade corridor for Ethiopia.
2. Ethiopia is competing with Bangladesh and Vietnam. A world bank study shows that the logistics costs in Ethiopia is close to 247% higher than the one of Vietnam, and 72% higher than the one of Bangladesh. Therefore, the reason why Ethiopia manages to exports to EU and US markets is thanks to preferential treatments. Therefore, it is crucial to reduce trade and logistics costs in order to survive in the long run on international markets.
3. The fact that Ethiopia is landlocked is a geographical disadvantage. We therefore need to address trade facilitation and regulations.
4. The infrastructures need to be improved (roads, railways, etc)
5. Logistics services providers have to be taken into account.

Summary of the presentation

The presentation focused on the transport services and infrastructures, with a particular focus on the roads that are, at the moment, the only operational surface transportation mean.

Roads

The consultant reported the various road conditions along the corridor and provided a estimate of the vehicle operating costs (see Table 1). His main conclusion was that at current prices paid for transport, and with three round-trips per month and no backloads, the trucking fleet on the Corridor will rapidly deteriorate and service delivery will worsen.

Table 1 - Income and Expenditure per Trip - Addis Ababa and Djibouti

Item	Income (Birr)	Expenditure (Birr)	Comments and Assumptions
Income per trip	38 000.00		Birr 95 per quintal and a full load of 400 quintals
Depreciation		10 000.00	Truck/trailer fully depreciated after 800,000km
Fuel		16 000.00	
Driver Salary		1 333.33	Birr 4,000/month and 3 trips a month
Driver Bonus		2 000.00	Birr 2,000 per trip
Load Agent fee		3 000.00	Fee an agent needs to be paid to get a load
Tyres for truck		6 000.00	Birr 9,000/tyre, 10 truck tyres; changed at 30,000km
Tyres for Trailer		4 320.00	Birr 9,000/tyre, 12 trailer tyres, changed at 50,000km
Insurance, tax, etc.		2 000.00	
Servicing, lubs, etc		2 000.00	
	38 000.00	46 653.33	
Income-Exp	-8 653.33		
Source - Interviews with Truck Drivers and Owners			
Assume a round trip of 2,000km and 8-10 days turn-around time			
Assume Horse and Trailer cost Birr 4m			

Railway: Both Ethiopia and Djibouti and their related railway companies signed an agreement in January 2017 to implement a Joint Venture (JV) company to manage the Ethiopia-Djibouti railway line. It is understood that the JV will enter into a management contract with a Chinese consortium to manage the railway.

Cargo trains that will be operating on this rail network will have a capacity to carry 3,500 to 4,000 tons of freight, which is equivalent to 100 truck-loads so each train will be able to replace 100 trucks. ERC is anticipating 6 to 7 million tons of cargo in its first year of operation, increasing to 10 million tons per year.

Assuming that the railway will carry all fuel and 50% of the rest of the cargo from Djibouti this would imply that a total of about 8-9 fully laden trains (40 wagons each carrying 80 tons of cargo) a day would need to move from Djibouti to Modjo. If the cargo increases to 10 million tons this will mean that 14-15 trains will need to move between Djibouti to Modjo each day. The same number of trains will need to move back to Djibouti, even if they are empty as the wagons need to return (as do empty containers) to Djibouti for reloading.

To load and unload 15 trains (about 1 an hour) with 4,000 tons of cargo is a major logistical exercise and it is by no means clear that logistics systems are in place, either software or hardware, to ensure that this is done.

Port Logistics

The Port of Djibouti has two terminals - Port Autonome International de Djibouti (PAID) managed by Port de Djibouti (SA), and Doraleh Container Terminal, managed by DP World.

PDSA partnered with DP World in 2011 and this has improved the efficiency of the port with implementation of management systems, international technical and managerial expertise in operations, maintenance, safety, security and training. Djibouti port is compliant with the international Ship and Port Facility standards and received the ISO 28000 security accreditation from Lloyd's Register Quality Assurance in 2006.

Djibouti Port provides a Container Terminal, Bulk terminal (managed by SDTV), General Cargo, Livestock & Dry port facilities and Marine & Engineering related services. SDTV handles break bulk cargo including fertiliser and grains.

At DCT DP World has achieved crane productivity of 37 moves per gross crane hour which makes DCT to be one of the more efficient ports in Africa which, in turn, allows shipping lines to maintain their schedules and avoid costly delays.

Doraleh Multipurpose Port (DMP) is nearing completion – the first ship is expected on 15 May 2017. Port management is to be done by PAID?

Horizon Djibouti Terminals Ltd have two berths (800,000 DWT, 18m draft, 244m LOA and 300,000 DWT, 10m draft, 180m LOA) and 31 tanks with about 400 m³ storage. It has 12 truck loading bays for petroleum, 1 for chemicals and edible oil and LPG bulk truck loading.

Djibouti has started work on new liquefied-natural-gas and crude-oil terminals.

Infrastructure – Truck Park and Holding Area: There are two major parking area located about 12 kilometres out of Djibouti on the road to the Ethiopian border at Galafi.

PK12 – is a holding area for Ethiopian trucks waiting for a load to collect to take back to Ethiopia. Trucks come in from Ethiopia and park and wait for a load. Depending on their arrangements, the trucks can be there for a few hours or weeks and possibly months. Agents have offices at PK12 and they allocate a collection notice to the truck driver and once the driver has this notification he proceeds to the port and collects his load.

PK13 – This is a holding area for new vehicles destined for Ethiopia. Pre-clearance processing takes place.

Figure 3 – Infrastructure – Truck Park and Holding Area



Infrastructure – Customs Check Points:

ERCA has two customs check points between the Galafi Modjo ICD - Mille and Awash. At the checkpoints ERCA records the registration and container numbers and does a physical inspection of the cargo – checking for damage and that the container seal is intact. The process does not take more than 10 minutes but the queues can be exceedingly long. At Awash there were more than 200 trucks queueing for more than 4 hours

Figure 4 – Infrastructure - Ports



The following recommendations have been made:

- Working with the Departments and Agencies responsible for road infrastructure, carry out a physical assessment of the road between Addis Ababa and Djibouti City. Make recommendations on what needs to be done to improve road infrastructure.
- Examine options on how to finance upgrades of the corridor road.
- Harmonise road transport legislation - Cross-Border Road Transport Agreement
- Put in place a regional cargo tracking system
- For Railways, plan in detail how freight movements will take place – how loading, border-crossing and off-loading is done.
- Feasibility and design of One-Stop Border Post at Galafi.

Discussions/Interventions

Before opening the floor for questions, the moderator, Mr. Mamo E. MIHRETU commented on the proposed One-stop border post at Galafi, for which the feasibility and designed will be will be taken care of by the World Bank Mojo project. Interventions from participants have followed:

Mr. Mahamoud HOUSSEIN DIRIEH, DFZPA (on behalf of Ms. Ms. Saada Ahmed BARREH, Freight Forwarders Association, ATD-GIE, Djibouti;

- Road conditions between Galafi and Djibouti: there is ongoing discussion between the government and partners for a rehabilitation project. The finalization is expected within a few weeks

- The report indicates that there is no road tax neither on the Ethiopian side nor on the Djiboutian side. However, each carrier has to pay a fee between Djibouti and Addis
- Djiboutian carriers have an obligation to have insurance between Djibouti and Galafi, and therefore have to subscribe to a local Djiboutian insurance in addition to the COMESA insurance. In addition, the COMESA insurance does not cover the Galafi-Addis segment, to our knowledge (complaints from transporters after accidents). Since the COMESA insurance is not recognized in several zones in Ethiopia, Djibouti carriers must subscribe to a third Ethiopian insurance.
- Calculation of cost: it is suggested that the consultant review/validate the calculation with the specialist and/or the land transporter as some costs are probably over-estimated
- The new railway line is finalized between Sebeta, Nagar, Tasheve stations. What remains to be done is the connection between the main station of Djibouti and the portal platforms of Doraleh.
- The construction of train loading platforms including unloading ramps is planned at each terminal, (including DCT and the oil terminal). It is also planned for the new terminal that was put into operation on 15 April 2017. This new terminal will be officially inaugurated on 24 May.
- Poly GCL (oil and gas), a Chinese company, obtained a contract for oil and gas exploration and mining will construct pipelines and an offshore terminal in Djibouti.

Ministry of transport

- Visual assessment completed two months ago on the road from Addis to Djibouti. The ministry of transport has instructed the Ethiopian road authority to conduct an immediate maintenance work. The road condition is very critical, economically and in terms of safety. Rehabilitation work will start very soon.
- Road charges: the relation between Ethiopia and Djibouti is special and is coined by a bilateral agreement and benefits to both countries.
- We chose to use electricity to run the railway because of sustainability and environmentally friendly energy. This was a well thought decision. It is not because of an excess supply of electricity.
- We admit a mistake that we did not build branch lines accessing to dry ports and oil terminals/depots. However, plans are currently being revised to link the railway to the ports, terminals and depots.

ESLSE

- Connecting railway lines to Inland containers depots (ICD): an agreement has been signed with a Chinese company that built the railway to build the connection with the dry ports. Accordingly, Mojo Dry Port is functional. By end of June or July, we will have more lines coming to Mojo dry port equipped with rubber tyred gantry (RTG) crane or rail-mounted gantry crane to discharge the train directly to the dry port.
- The Chinese company has the full mandate to construct the whole terminal to connect the railway to the dry port of Diredewa.
- Two dry ports in the north, Kombolcha and Mekelle, the same mandate has been granted to the Chinese company.
- The remaining issue is the distance between Nagad (Djibouti railway station) and the ports (DMP, DCT, etc...) where there is currently no connection. This issue is currently discussed between the two governments.

Ethiopian Railway Corp.

- Yesterday, passengers' transportation started from Addis to Djibouti.

- This workshop is about logistics, which is very important for the railway to be operational. The dry ports and railway alone are not enough. A conceptual design with selected stations has been initiated to have warehouses. This could be integrate with the shipping lines dry port access. Cool chains are also considered for agro products which is extremely important for Ethiopia.

Mr. Mamo E. MIHRETU, World Bank

- The report focuses on the road from Addis to Djibouti through Galafi. What about Dewale border? The distance is much shorter and in the coming years, some traffic may shift from one road to the other. Howe does the road infrastructure both in Ethiopia and Djibouti looks line in along the road to Dewale.
- What about the dry port infrastructures? Hinterland port infrastructure? Need for a full picture.
- According to the intervention from the Ethiopian Railway Corporation, the latter also would like to be a logistics company with inland logistics hub. A comment about this would be welcome.
- What about the technology infrastructures? Cargo tracking systems discussions should be complemented by different ICT interventions carried out by logistics regulation agencies in Ethiopia.

Mark Pearson, UNCTAD's consultant

- Many new plans are still in discussions and are therefore difficult to include at this stage.
- The calculations can be revisited, they are subjective and based on specific assumptions. They are just aiming at giving an indication about the costs, not an exact measure.
- Mr. Pearson welcomed the results of the roads visual assessment. However, he pointed out that what is really needed is roughness index (RI) index by running a bumb integrator on the roads to assess if they have to be rebuilt or not.
- Up until now, the main function of ERC was to manage EPC contracts (construction of the railway) rather than manage logistics issues. Mr. Pearson welcomed the change and any additional information that can be given to him.
- At the moment, nearly all traffic goes through Galafi as the road to Dewale is in extremely bad conditions. This could be done in the future when roads will be improved. In addition, this is outside the scope of this exercise.
- Regarding technology, the GPS tracking system could be different if fiber was available along the road. COMESA pilot projects could be used.

Amin Abdella Ababulgu, Research fellow, Trade and industry research division, Ethiopian Economics Association Ethiopian Economic Policy Research Institute

- Ethiopian trucks are used only at 50% of their capacity, which means we could use half of them to handle all of our trade. What is your views on that?
- Have you forecasted the size of cargo that will be moved in and out Ethiopia in the future in terms of tons?
- What about the roads from the railway so some selected regions? Sometimes there are only one, not necessarily in good conditions.

Ministry of Transports [11/18min]

- One stop boarder post: what is missing so far is the financing.
- Corridor Management Authority: propositions have been made by COMESA and IGAD. UNCTAD's proposal is the third one. What are the possible collaboration?

Mr. Mahamoud HOUSSEIN DIRIEH, DFZPA

- Willing to give additional information about the road fee, as requested by the consultant.
- The Djiboutian road fee is a fixed amount of USD 20 per truck and is not related to the shipping tonnage. Carriers can pay this fee at three road services offices at (i) the Port of Djibouti, (ii) PK-13 (iii) and PK-20.
- Then, there is a need to add the road tax on the Ethiopian side. However, Mr. Houssein reiterated his request to have the calculations validated with carriers.
- Two corridors: Djibouti-Galafi and Djibouti-Dawale. In order to account for the second corridor, we must have a distribution of goods by destinations. Goods will be transported along this corridor only if we know the destination of the cargo, which in that case must be the region of Dire Dawa. The regions beyond Dire Dawa are not easily accessible by truck (mountainous area).

Ethiopian Central Bank

- The drivers and the owners of the trucks may work at loss if they do not overload the truck. But then, this is a problem for the Government because of road damages. The government has to streamline this issue. What do you recommend to tackle this issue?
- Reaction to ESLE comments: Some of the importers prefer to pay 3000 for transports approaching brokers. It is not clear why these importers are willing to pay these 3000 then while they could avoid it by approaching ESLE?

Ethiopian Freight forwarders and shipping association

- EFFSA strongly appreciate the study.
- EFFSA knows the problems in details, more than anyone else. It is therefore very important that the association is consulted.
- If we cannot have asphalt road we need at least graveled road. The trucks need space to avoid accidents. We believe that road transports are not managed or undermanaged.
- Many issues about delivery order from shipping agents, getting gate passes from Djibouti customs while the grace period is only 7 days. With Unimodal, it is impossible to pick the good within this grace period. A minimum of ten working days grace period would be essential.
- Some shipping agents request high container deposits. Sometimes they do not provide delivery order while the goods are all discharged.
- There are a lot of inefficiencies due to holidays that are different between Ethiopia and Djibouti.
- Truckers need for places to stay, rest and learn (ex. film showing accidents and dangerous segments)
- Private forwarders should be granted access to the multimodal transport. The current monopoly is not good for the country although there is no clear inefficiency so far.

Mark Pearson, UNCTAD's consultant

- The reason why there is no backload is because there is much more imports than exports. The challenge is beyond logistics, Ethiopians have to produce more and export more.
- Road links with train stations (first/last miles) cannot be dealt by one particular agent and this has to be coordinated
- Mr. Pearson indicated that he has been working for COMESA for a long time and is therefore familiar with their initiatives.
- Road tax: 20 USD is the COMESA tax (10 USD/100 km)
- Overload and damages to road issues: there is a trade-off. At the moment, in Ethiopia, 58 tons gross vehicle mass. 10 tons on 5 axles and 8 on the steering axle. This is above the COMESA rate of 48 tons for 6 axles. It depends on how the roads are designed, they have to be adapted to the regulation.

Mr. Mamo E. MIHRETU, World Bank

- The logistics sector is extremely complex. We therefore need to be comfortable with complexity and ambiguity.
- Addressing inefficiencies in the logistics sector in Ethiopia is a process, all constraints cannot be addressed all at one. The key thing is to start the process.
- We have to put the interests of the cargo owner at the center, it should be critical organizing principle.
- We should look not only at the infrastructures, but also regulations (customs, transport), system issues, and most importantly we need to get organized. We have multiple actors with fragmented logistics interventions. We therefore need to be better organized, internally and bilaterally with Djibouti.

3.1.4 Management structure for the Addis Ababa – Djibouti City Trade and Transit Corridor

Mr. Mark PEARSON, UNCTAD Consultant

Summary of the presentation

After a brief introduction by the moderator, Mr. Ali DAOUD, Director, Regional and Multilateral Integration, Djiboutian Ministry of Trade, the Consultant then made a proposal to establish the Djibouti-Ethiopia Corridor Management Authority (DECMA). He proposed a similar structure as the Northern Corridor (NCTTCA) in East Africa. The mandate of the Corridor Management Authority (CMA) would be limited to a convening and coordination role. For example, the CMA would be able to convene government agencies and departments and the private sector to take decisions on infrastructure and operating procedures but it will be the agencies that will be responsible for implementation.

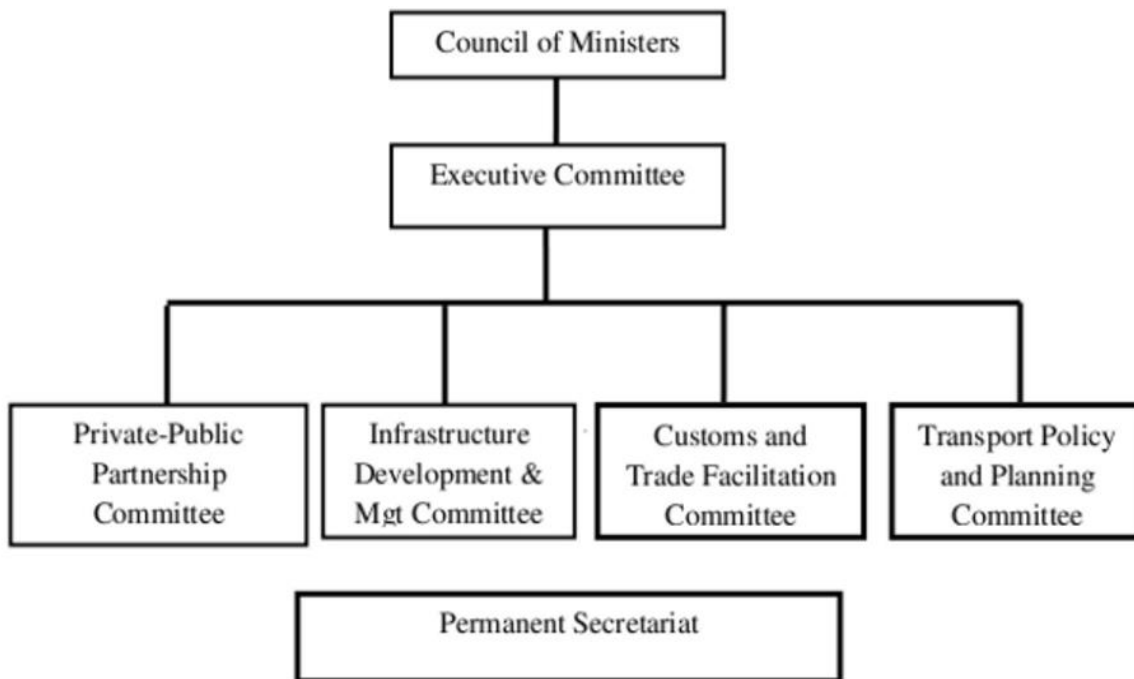
He further proposed that the Secretariat would be based in Addis Ababa but have an office in Djibouti City. The Secretariat would be kept small with a budget for specialist inputs.

The Corridor Management Authority would be headed by a Council of Ministers. Council could be jointly chaired by the Prime Ministers of Ethiopia and Djibouti. Council would comprise Ministers of Trade, Transport and Finance.

The Executive Committee would be the CEOs of the Agencies, Departments and Associations who are members of the Corridor Management Authority.

The Committees would comprise officials and private sector players of the relevant stakeholders. The Permanent Secretariat would be civil servants.

Figure 5 – Infrastructure - Ports



The consultant further proposed some activities (mandate) for the DECMA:

- **Road Infrastructure:** Quality of road varies considerably from very good to very bad. DECMA could work with the relevant authorities to: carry out a physical assessment and make recommendations to improve; options on how to finance upgrades of the corridor road; and assist to secure financing.
- **Railway Interventions:** Work with the relevant authorities and carry out a full logistical mapping exercise and prepare a proposal on how to implement this.
- **Harmonisation of Transport Legislation:** Harmonisation of gross vehicle mass, axles loads, vehicle dimensions, and a cross-border road transport agreement.
- **Customs Issues:** Harmonisation of customs procedures, pre-clearance as a general rule (meaning modernising customs and concentrating more on PCAs, risk assessment, classifications, etc.).
- **One-Stop Border Post at Galafi:** There could most probably be a case made to build new border posts and it is recommended that the option of a One Stop Border Post be seriously considered. In designing a OSBP one would be able to design the Standard Operating Principles (SOPs) and then design the infrastructure to meet the requirements of the SOPs, whereas usually, with the design of a OSBP the SOPs need to be retro-fitted around the infrastructure.
- **Design and Implement a Corridor Monitoring System:** Use either a Corridor Observatory or a system based on cargo tracking. (SSATP).

Finally, the presentation concludes by introducing a technical assistance **project proposal** to support an improved logistics system along the Djibouti Ethiopia Corridor and assist in the establishment of this Corridor Management Authority and a Permanent Secretariat.

It has been agreed that this proposal would be developed by UNCTAD and be submitted to the EIF Secretariat as Tier II Project with the aim to bring on additional donor support.

More specifically, the objective is to assist with removal of all obstacles to the flow of trade and services along the Djibouti-Ethiopia Corridor through supporting coordinated activities that will improve infrastructure and logistics services, facilitate trade, ease the movement of persons, vehicles and goods in domestic, regional and international transport.

Discussions/interventions

The moderator, Mr. Ali DAOUD, summarized the DECMA with the two following key aspects:

- a) Necessity to coordinate all ongoing activities of all key institutions involved in utilization, regulation, operationalization of the corridor.
- b) To reach this objective, we need fund raising. Our countries should therefore seize the funding opportunity that is presented to us today through the UNCTAD and the EIF.

In the discussions that followed the following points were made.

Mr. Syad Ali HASSAN, Djiboutian Chamber of Commerce

- The Chambers of Commerce as well as the Ministry of Foreign Affairs and Ministry of home affaires should be included as members of the DECMA.
- The Ministry of Foreign affairs ha

Mr. Ali Ahmed YOUSSEUF, Director of Transports, Djibouti

- Mr. Youssouf express his willingness to have the existing committee established as part of a COMESA initiative to work on the elaboration of the DECMA to avoid duplication of work.

Ethiopian Maritime affaires

- The Ethiopian Maritime affaires warmly welcome the initiative as it has been already extensively discussed, studied, recommended but never realized.
- Djibouti-Ethiopia relations is not something new. The cultural, historical, economic and social background is very specific and it is very different from the Northern corridor. We have failed many times in establishing this management structure and hope that this project will be successful.
- The list of agencies in the executive committee will be appointed by the government. However, they might not be in the position to lead these agencies. This calls for a **strong and powerful Secretariat of the authority** that should be the leader as the politicians do not necessarily have the capacity/skills to act as such. They should make proposals and convey them to the states of Ethiopia and Djibouti. If not, the project is likely to be unsuccessful.
- One Stop Border Post is not a new concept. Ethiopia has a plan to Establish one with Djibouti in Dewale for Railway. The past experience needs to be considered and the recommendations should be to find solutions to the shortcoming of the past initiatives.
- Immigration should be included in the list of agencies.

Mark Pearson, UNCTAD's consultant

- Regarding the fact that previous initiatives never realized, we are indeed not trying to reinvent the wheel but the strength of this proposal is that we have identified new potential source of funding to support the implementation that has previously failed. It is also the responsibility of both countries to find funding to ensure the implementation and durability.
- If there are already existing joint ministerial committees that could ask as the council of Ministers, they can be used. It is not absolutely necessary to create new ones. However, it is important to be careful about the composition.
- The proposition about the powerful secretariat is extremely interesting.

The moderator, Mr. Ali DAOUD, concluded the session and the first day of the workshop with the following elements:

- a) In both, the DTIS of Ethiopia and Djibouti, the finding is clear: the competitiveness of our corridor and therefore our countries is intrinsically linked to our capacity to coordinate our

activities and to implement projects/initiatives that the existing bilateral mechanisms have failed to implement.

- b) The proposed structure relies on an improvement and strengthening of the existing regional and bilateral relationships.
- c) The consultant has taken note of the modification suggested by the participants as well as of the concerns regarding existing structures/committees and together with UNCTAD, they will make sure to avoid duplication and converge towards a common objective.
- d) The proposed DECMA will not duplicate what exist but will build upon the existing relations to strengthen the trade performance.
- e) With a permanent status, the DECMA will also help to address some institutional constraints.

3.1.5 Closing session and the way forward

Introduction by Mr. Paul Akiwumi, ALDC Director, UNCTAD

Mr. Akiwumi thanked all the participants for their inputs and reiterated the willingness to move towards implementation. He indicated that the level of expertise is observed during this workshop has been remarkable and is therefore looking forward to pursue the work and deepen the collaboration.

Mr. Akiwumi recall that the objective is not to solve all the logistics issues at once but that it is important to start a long process, and that in this perspective, the EIF funding windows is an opportunity that should not be missed.

Finally, the ALDC director welcomed the political support from both sides, Djibouti and Ethiopia, as demonstrated by the participation of both Minister of Trade. In other words, clear decisions have already made by the Ministers and their strong supportive statements to a joint management system. There is need for such an authority and a need for a project to develop the DECMA. Mr. Akiwumi reiterated the support of UNCTAD in implementing the management structure and encouraged the two governments to take the necessary actions to move forward with this proposal from which both countries will benefits.

The moderator, Mr. Nuredin MOHAMMED, Ethiopian EIF Coordinator, then gave the floor to Mr. Inama and Mark Pearson to provide additional insights and inputs regarding the DECMA and EIF project. Mr. Pearson and Mr. Inama ensured that the comments/inputs of yesterday will be incorporated to the report and after summarizing the main results of the previous day, explained that the objectives of the discussions of today will be to design the project proposal. To do so, they expressed the need for inputs from the main stakeholders and therefore opened the floor for questions/discussions. The latter are summarized below.

Ministry of Trade Promotion

- The study is well thought.
- It is important to take note of existing infrastructures, in particular the Ethiopian Committee taking care of import/exports and composed of four sub-committees :
 - Logistics and customs
 - Infrastructures
 - Finance
 - Supply management
- How to integrate this comprehensive system already existing in your proposal?
- Institutions should be added: Chamber of Commerce, Immigration, Ministries of Finance and Industry, National Banks

Mr. Mahamoud HOUSSEIN DIRIEH, DFZPA

- Mr. Houssein reiterated his support to the project and recall the clear political will.

- The project is crucial to contribute to the reduction of the time that goods spend in the port. The latter is not a place of storage and this issue need to be addressed.
- Mr. Houssein supported the idea of a logistics mapping is a very good idea.
- With regard to the authority and proposals for institutional enlargement, Mr. Houssein suggested to build on existing models that work very well, such as the Northern corridor.

Ministry of Trade

- The representative from the Ministry recall his participation to the first workshop in Djibouti in November 2016
- She indicated that unlike the previous one, this workshop is about implementation. However, soft vs hard infrastructure is a very important point as explained by Dr. Tesfachew which needs further clarification to know on which one to focus.
- Some recommendations of the November workshop are not well reflected in the report and should be included.

Mr. Ali Ahmed YOUSSEUF, Director of Transports, Djibouti

- Mr. Youssouf expressed his support to the project and apologized and willingness to get back to his comment of the first day. He indicated that following additional thoughts and research, he is now convinced that the existing institutions/ technical committees will be able to work hand in hand to make this project successful and that there is no duplication but complementarity.
- Mr. Youssef thanked the consultant and expressed his eagerness to work closely with UNCTAD to realized the project.

At the end of the meeting, all participants agreed that UNCTAD, working with the Ethiopia DTIS structure, would prepare an EIF Tier II project proposal that would be in support of an improved logistics system along the Djibouti Ethiopia Corridor and assist with the establishment of a Corridor Management Authority and a Permanent Secretariat.

4 Appendix

4.1 Workshop Programme

Thursday 11 May 2017

Opening session – Moderated by Mr. Nuredin MOHAMMED, Ethiopian EIF Coordinator

08:30 – 09:00 Welcome and registration

09:00 – 09:10 Opening remarks by **H.E. Dr. Bekele BULADO**, Ethiopian Minister of Trade

09:10 – 09:20 Opening remarks by **H.E. Mr. Hassan Houmed IBRAHIM**, Djiboutian Minister of Trade

09:20 – 09:30 Opening statement by **Ms. Barbara RIPPEL**, EIF Secretariat

09:30 – 09:45 Key note address by **Mr. Paul AKIWUMI**, Director, Division for Africa, LDCs and Special Programs, UNCTAD

09:45 – 10:15 *Coffee break*

SESSION 1 – Moderated by Mr. Muse MINDAYE, Director, multilateral Trade Relation & Negotiation, FDRE Ministry of Trade

10:15 – 10:40 Messages from the Ethiopian and Djiboutian DTIS: the critical importance of inter-ministerial coordination during the implementation of actions matrices on transit, transport and trade facilitation

Mr. Taffere TESFACHEW, former UNCTAD Director

10:40 – 11:00 Interactive discussion

11:00 – 11:40 Presentation on clearance of goods procedures on the Addis Ababa – Djibouti City Trade and Transit Corridor.

Mr. Stefano INAMA and **Mr. Mark PEARSON**, UNCTAD

11:40 – 12:00 Comments from:

Mr. Wegayehu ADAMU, ERCA and **Mr. Kabir HAMZA**, Djibouti Customs

12:00 – 12:30 Interactive discussion

12:30 – 14:00 *Lunch Break*

SESSION 2 – Moderated by Mr. Mamo E. MIHRETU, World Bank Group

14:00 – 14:40 Presentation on transport services and transport infrastructure on the Addis Ababa – Djibouti City Trade and Transit Corridor

Mr. Mark PEARSON, UNCTAD Consultant

14:40 – 15:10 Comments from:

Ms. Saada Ahmed BARREH, Freight Forwarders Association, ATD-GIE, Djibouti;

Mr. Shewangizaw KIFLE, Ethiopian Railway Corp.;

Mr. Tilahun MULUGETA, President, Ethiopian Freight Forwarders Association

Mr. Mesfin TEFERA, Deputy CEO, ESLSE ;
Mr. Ali Ahmed YOUSOUF, Director of Transports, Djibouti;

15:10 – 15:30 Interactive discussion

15:30 – 15:45 *Coffee Break*

SESSION 3 – Moderated by Mr. Ali DAOUD, Director, Regional and Multilateral Integration, Djiboutian Ministry of Trade

15:45 – 16:15 Presentation on a management structure for the Addis Ababa – Djibouti City Trade and Transit Corridor.

Mr. Mark PEARSON, UNCTAD Consultant

16:15 – 16:35 Comments from:

Mr. Mahamoud HOUSSEIN DIRIEH, Operations Director, Djibouti Ports & Free Zone Authority ;

Mr. Syad Ali HASSAN, Djiboutian Chamber of Commerce;

Mr. Roba MEGERSSA, Deputy General Director, Ethiopian Maritime Affairs Authority

16:35 – 17:00 Interactive discussion

Friday 12 May 2017

Closing session – Moderated by Mr. Nuredin MOHAMMED, Ethiopian EIF Coordinator

09:00 – 10:30 Presentation on the Way Forward

Mr. Stefano INAMA and **Mr. Mark PEARSON**, UNCTAD

10:30 – 11:00 *Coffee Break*

11:00 – 12:30 Roadmap for the design of project proposal to establish the Ethiopia-Djibouti Corridor Management Structure: Terms of Reference, Financing Mechanism, Operating Procedures and First Year Work Programme.

12:30 – 14:00 *Lunch break*

**** *End of the workshop* ****