

1. Introduction

The Government of the Federal Democratic Republic of Ethiopia (FDRE) has recognised the importance of transport and logistics sectors and has taken steps to introduce reforms in these sectors. It is recognised that logistics reform is essential to allow Ethiopia to fully capitalise on the opportunities generated by the investments that have, and are being, made in critical infrastructure, including roads, railways, dry ports, industrial park facilities and special export zones.

The objective of the FDRE reforms is to promote efficiency, innovation and transparency in cross-border trade, increasing capacity and range of services, and reduce the cost of doing business in the country. However, despite the introduction of reforms, the anticipated boost in the growth of the manufacturing and agricultural sectors have not materialised. Firms in Ethiopia continue to face high inventory costs, long lead times and unreliable and unpredictable import and export supply chains. Poor logistics increases the final price of imported fertiliser used in agriculture, thereby constraining exports of key products such as sesame, coffee, perishable commodities and processed food.

The 2019 Ethiopian Logistics Review carried out for the Government of Ethiopia by a World Bank and African Development Bank team proposed that the Logistics Sector should be designated a priority sector for Ethiopia. Ethiopia started down this part with the development of the National Logistics Strategy, the establishment of a National Logistics Council and the creation of the Logistics Transformation Office within the Ethiopia Maritime Authority. The National Logistics Strategy has been the driver of Logistics since its formal adoption in 2017.

In the “Priority Sector” approach, the business community, universities and knowledge institutions and the government work together to tackle the challenges that the logistics sector is facing and work together in the field of knowledge and innovation. This unique form of collaboration (golden triangle/triple helix) is designed to promote innovation, to attract talent (human capital) and to ensure a solid position for the sector in the international context. The instruments used include investments, fiscal incentives, guarantees and cutting down on bureaucracy and red tape.

Structural reform was one of the key macroeconomic issues addressed in Ethiopia’s 2019 Home-grown Economic Reform Agenda and logistics and transport issues were among the priority areas of the reform agenda. While macro-financial stability is necessary for restoring confidence and building a solid foundation for economic growth, success in rebalancing and sustaining productivity growth and job creation will depend on creating an enabling environment for businesses and sufficient incentives for investment. Cumbersome bureaucratic and regulatory procedures, corruption, barriers to international trade, poor logistics, and limited access to reliable electricity, in addition to foreign exchange shortages and limited access to finance, are often cited as the key bottlenecks to doing business in Ethiopia. On the other hand, monopolistic and hoarding practices in some domestic markets have complicated efforts to stabilise prices.

The challenges faced by businesses, exporters, and manufacturers include a heavy bureaucratic customs process and inadequate logistics services, under-developed transport systems, inadequate terminal facilities, limited utilisation of ICT systems, and an inefficient regulatory framework.

In Ethiopia, access to multimodal transport services is limited and the position of the Multimodal Transport Operator is not clear. Until recently, third parties have been excluded from setting up their own multimodal transport services. To open up the multimodal sector to private competition, the Council of Ministers approved a regulation amending the 2011 bill that had established a

monopolistic approach to logistics. Although the legal framework now permits new entrants, so far, no additional multimodal operators, beyond the original state actor, ESL, have joined.

Multimodal transport in the international context differs from multimodal transport in the Ethiopian context, as in Ethiopia it involves a lot more than modes of transport; it refers to providing transport, cross-border services (bonding and transit through a foreign country), warehousing and all this without having to pay a foreign service provider, so all done in local currency.

Recent logistics reform measures undertaken by the Ethiopian government include the following:

- **Enhance logistics sector competitiveness and efficiency.** Improving the competitiveness of the logistics sector requires enhancing the existing services in the sector and expanding the range of value-added services as well as improved coordination among actors. This will require modernising corporate governance, improving operational efficiency of logistics enterprises and attracting a range of investors into the sector. The operational efficiency of Ethiopian Shipping and Logistics (ESL) needs significant improvements in shipping, freight-forwarding and terminal and port operations to engender performance improvement and lower costs. The government has announced measures to liberalise the sector. The liberalisation of the sector would allow an increase in the capacity, efficiency, and quality of existing services, which are focused on transportation and customs clearance. It's also important to expand value added services and bring in private sector providers in a range of logistics services to serve modern manufacturing supply chains, including distribution, packaging, warehousing services, transport management services, supply chain consulting services, consolidation and deconsolidation and inventory management.
- **Enhance coordination across the logistics sector actors.** Logistics is a network industry where efficiency is impacted by multiple regulations and requirements defined by a range of regulatory bodies (maritime transport, road transport, rail, ports, customs, finance, etc.), all with different objectives. Hence, regulatory coordination is essential in supporting efficiency in the sector and preventing fragmentation of supply chains. Establishing a robust logistics sector coordination structure will be among the key reform measures.
- **Digitalise logistics and related services.** Under-utilisation of ICT constrains the logistics sector. The IT software and systems that track cargo and report on customs processes are not fully operational or integrated. The use of ICT will be enhanced to include automated customs clearance system at the customs authority and the integration of these services in checkpoints along trade routes, where traders and service providers can access the web-based portal.