Democratic Republic of Ethiopia

National Report on the Status of Implementation of the Almaty Program of Action (APoA)

(2003-2013)

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1. Introduction.

Lack of territorial access, remoteness from the sea, substantially inflating transportation costs and lowering the relative effective participation in international trade are some of the main causes for isolation of the Land Locked Developing Countries (LLDCs), as a group from the world markets contributing to their relative poverty. Studies show that landlocked countries that rely on transoceanic trade usually suffer due to additional trade cost; double than that of their maritime neighbors. As a result, holding other variables constant, landlocked countries experience less economic growth than the non-landlocked.

The trade – reducing effect of landlockedness is strongest for transport –intensive activities. Most, if not all, landlocked developing countries are commodity exporters; in most cases bulky transportation and requiring a lot of space. The very high transport cost constrains export development of these countries since that burden limits the range of potential exports and markets in which goods can be competitively and profitably traded. The price of imports trends to soar because of high transit and transportation costs.

A number of studies, including the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States (UN-OHRLLS), have confirmed that high transport costs due to distance and terrain result in eroding the competitiveness of the exports of landlocked developing countries.

The Millennium Declaration recognized the special needs of landlocked developing countries, and urged both bilateral and multilateral donors to increase financial and technical assistance to meet their development needs and to help them overcome the impediments of geography by improving their transit and transport systems. Subsequently, the General Assembly in its resolution A/RES/57/242, decided to convene an International Ministerial Conference of Landlocked and Transit Developing Countries and Donor Countries and International Financial and Development Institutions on Transit Transport Cooperation. The Conference adopted two outcome documents: the Almaty Declaration and Almaty Program of Action (APoA), in August 2003, addressing the special needs of landlocked Developing Countries within a New Global Framework for Transit Transport Cooperation for Landlocked and Transit Developing Countries.

The overarching goal of the Almaty Program of Action is to forge partnerships to overcome the special problems of landlocked developing countries caused by their lack of territorial access to the sea and their remoteness and isolation from world market. Therefore, the objective of the APoA is to address the special needs of landlocked developing countries and establish a new global framework for action for developing efficient transit transport systems in landlocked and transit developing countries, taking into account the interests of both landlocked and transit developing countries. The APoA thus aims to: a) secure access to and from sea by all means of transport according to applicable rules of international law; b) reduce costs and improve services so as to increase the competitiveness of their exports; c) reduce the delivered costs of imports; d) address problems of delays and uncertainties in trade routes; e) develop adequate national networks; f) reduce loss, damage and deterioration en route; g) open the way for export expansion; h) improve safety of road transport and security of people along the corridors.

The APoA has recognized the direct link between transport, international trade and economic growth and identified specific actions in five priorities, namely fundamental transit policy issues, infrastructure development and maintenance, international trade and trade facilitation, international support measures and implementation and review.

In resolution 66/214, the United Nations Assembly decided to hold a comprehensive ten-year review conference of the APoA) in 2014. The ten-year review conference is expected to provide the international community with an opportunity to undertake a comprehensive appraisal of the implementation of the APoA over the decade 2003-2013. The Comprehensive appraisal is also expected to shade light on key complements and critical constraints and design strategies to address the gaps identified at national, regional and global levels.

Accordingly, Landlocked Developing countries are requested to prepare National Review Report on the implementation of the Almaty Program of Action. As one of the landlocked Developing Countries, Ethiopia has committed itself to the APoA, and has prepared this Country Report on the progress it has made in the five priority areas identified by the Almaty Program of Action.

The aim of this report is to provide a comprehensive appraisal of the implementation of the priority areas contained in the Almaty Program of Action in Ethiopia against the objectives of actions contained therein.

This report examines the overall socio-economic development and external trade performance of Ethiopia as a landlocked developing country and the progress that the country has made in its efforts to integrate into the global economy since the adoption of the Almaty Program (2003-2013).

The data and information used to prepare this report is collected from sector ministries, Central Statistical Agency and other reliable data sources and research results.

This report including the introduction comprises nine parts: the second part discusses the national development planning process, assessment of key economic, social and environmental development trends. The third part of the report presents the fundamental transit policy issues. The fourth, the fifth and sixth parts assess the infrastructure development and maintenance, international trade and trade facilitation and international support measures respectively. The seventh part of the report discusses monitoring of implementation and review. Part eight and nine presents emerging issues and the way forward.

2. The national development planning process, assessment of key economic, social and environmental development trends.

Ethiopia is one of the Land Locked Developing Countries. Its population size is estimated to be 84.3 million with a total land area of 1.1 million km^2. The nearest sea port of Djibouti is 910Kms far from Addis Ababa. Even though, Ethiopia uses this port for 90 percent of its import and export trade, it also uses the Port Sudan in the Sudan and Berbera in Somalia. The distance of Port Sudan and Berbera Port is 1900 km and 937 km, respectively.

The national Development Planning Process: All development plans in Ethiopia are formulated through transparent, accountable and participatory manner. The plan formulation process involves the following major steps: Preparing and circulating generic guidelines, the plan preparation incorporating general directions, main objectives, economic growth targets and indicators; country-wide request for the preparation of inputs for the plan to all concerned federal and regional government institutions; Sectoral ministries prepare their respective sectoral development plans and submit to the Ministry of Finance and Economic Development for consolidation; prepare DRAFT national Development Plan and conduct countrywide consultation forums on the DRAFT national Development Plans. The purposes of countrywide consultations are to involve the participation of all stakeholders, to refine the draft plans and to create awareness among citizens and stakeholders so that to encourage their active participation and build sense of ownership. After incorporating comments obtained from countrywide consultations, the plan document is submitted to the Council of Ministers and then to the House of People's Representatives for approval.

In the formulation process of the development plans, all national priorities, international agreements, including the Almaty Program of Action (APoA) and the Millennium Development Goals (MDGs) are taken into account. Priority areas of APoA including fundamental transit policy issues infrastructure development and maintenance International trade and trade facilitation international support measures and implementation and review are all included in the past three development plans prepared and implemented since 2003.

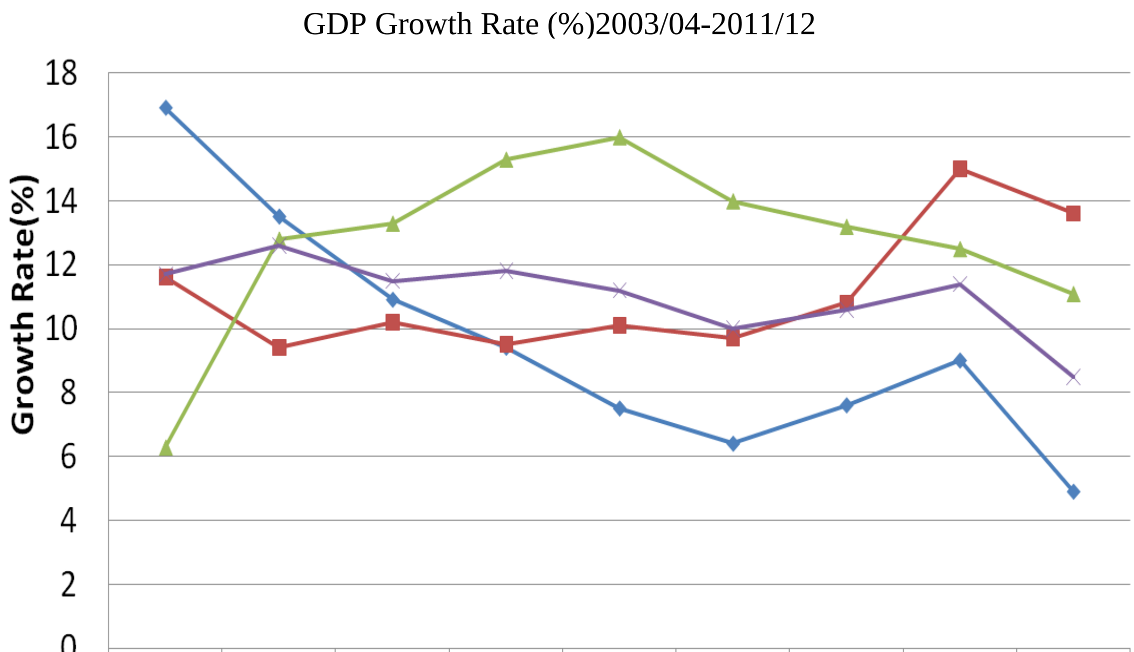
The Government of Ethiopia has set a vision of becoming a middle income and eventually a high income industrial country. Its vision is first to become a lower middle income in ten years time, and then, in the subsequent three decades, to move up to upper middle income and eventually transform itself to an advanced high income industrial economy.

The common bases for the development objective in Ethiopia have always been national priorities and vision, and the various international commitments that the country has accepted and agreements that it is a party to. (such as MDGs, APoA, BPoA, IPoA and others). The major objectives of the development plans during the last ten years were to eradicate poverty through rapid, sustainable and equitable economic growth. The major strategic pillars for the plans were rapid, sustainable and equitable economic growth, enhancing expansion and quality of infrastructural, enhancing expansion and quality social development, building capacity and deepen good governance, and Promote gender and youth empowerment and equity.

The current five-year development plan, also known as the Growth and Transformation Plan (GTP) has the following major objectives: maintain at least an average real GDP growth rate of 11% and attain MDGs; expand and ensure the qualities of education and health services and achieve MDGs in the social sector; establish suitable conditions for sustainable nation building through the creation of a stable democratic and developmental state; and Ensure the sustainability of growth by realizing all the above objectives within a stable macroeconomic framework.

To this effect, GTP's Strategic pillars are: Sustaining rapid and equitable economic growth; maintaining agriculture as major source of economic growth; Creating conditions for the industry to play key role in the economy; Enhancing expansion and quality of infrastructure development; Enhancing expansion and quality of social development;. which has incorporated the APoA.

Key economic, social and environmental development trends: During the APoA implementation period encouraging achievements have been made in the economic and social development of the country. GDP grew on average by 11% over the past 9 years (2003/4-2011/12). This growth rate is well above the target set of 7% average GDP growth rate required for developing countries to achieve the MDG goal to reduce poverty by half by 2015. In the last nine years of the APoA implementation, the average annual growth rate of Agriculture was 9.6%, industry was11.1% and services was 12.7%. The percentage share of agriculture decreased from 49.8% in 2002/03 to 44.0% in 2011/12, the share of industry remain more or less the same at 11.1% and the share of services increased from 39.9% in 2002/03 to 45.6% in 2011/12.



	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
Agriculture	16.9	13.5	10.9	9.4	7.5	6.4	7.6	9	4.9
Industry	11.6	9.4	10.2	9.5	10.1	9.7	10.8	15	13.6
Services	6.3	12.8	13.3	15.3	16	14	13.2	12.5	11.1
GDP	11.7	12.6	11.5	11.8	11.2	10	10.6	11.4	8.5

Achieving Ethiopia's long-term vision requires sustainable use of natural resources. To this effect, the country has developed and is implementing a strategy to build a green economy, the aim of which is to avoid the negative effects of a sharp increase in Green House Gas (GHG) and unsustainable use of natural resources. Under current practices, greenhouse gas (GHG) emissions would be more than double from 150 Mt CO2e in 2010 to 400 Mt CO2e in 2030. A conventional development path could also be financially challenging.

The Climate-Resilient Green Economy (CRGE) initiative follows a sectoral approach and has so far identified and prioritized more than 60 initiatives, which could help the country achieve its development goals while limiting its 2030 GHG emissions to around today's 150 Mt CO2e – around 250 Mt CO2e less than estimated under a conventional development path.

As a result of rapid and sustained economic growth in the past nine years of the implementation of the APoA, Per capita GDP increased from US$124 in 2003 to US$513 in 2012, absolute poverty index has declined from 38.7% in 2004/05 to 29.6% in 2010/11 and this has further decreased to 27.6% in 2011/12. Food poverty decreased from 38% in 2004/05 to 33.5% in 2010/11 and further to 32.7% in 2011/12, Export of merchandise increased from US$482.71 million in 2003 to US$3.15 billion in 2012, while Import of merchandise increased from US$1.86 billion in 2003 to US$11.06 billion in 2012 . Foreign Direct Investment (FDI) net inflows increased from US$123.1million in 2003 to US$1.1 billion in 2012. The Net Official Development Assistance (ODA) receipt increased from US$1.64 billion in 2008 to US$2.61 billion in 2012. The percentage share of ODA to GNI has fluctuated between 6.1% and 8.6% during 2008 and 2012. Donor assistance for transport, storage and communication fluctuated between its peak of US$460.8 million in 2008 and lowest amount of US$ 276.6 million in 2012. The external debt as percentage of GNI decreased from 73.89% in 2004 to 20.97% in 2012. Total Debt Services increased from US$ 1.7 billion (2% of GNI) in 2003/04 to US$8.9 billion (1.2% of GNI) in 2011/12. Total Debt Relief was the highest with US$4.1 billion in 2006/7, US$1.8 billion in 2004/05 and then gradually reduced to its lowest level of US$9.12 million in 2010/11 and it reached US$17.62 million in 2011/12.

Education: adult literacy rate increased from 29.2% in 1999/00 to 36% in 2009/10 to 37.5% in 2011/12, Primary education (1-8) gross and net enrollment rate has increased to 95.4% and 85.4% in 2011/12 from the level of 61.6% and 52.2% in 2002/03, respectively; secondary gross enrolment(1st Cycle /Grade 9-10/) was 39.7% in 2009/10, 38.4 in 2010/11 and 36.9% in 2011/12. Secondary gross enrolment rate (2nd Cycle /Grade 11-12/) was 6% in 2009/10, 8.1% in 2010/11 and 8.8% in 2011/12, gross Under Graduate enrolment increased from 185,788 in 2009/10 to 211,197 in 2010/11 and further to 246,653 in 2011/12. Share of girls in gross undergraduate enrolment was 29% in 2009/10, 25.6% in 2010/11 and 26.5% in 2011/12. Annual increase in intake for undergraduate program was 10.8% in 2010/11 and 17.3% in 2011/12.

The pupil teacher ratio in primary schools (1st cycle) was 57 in 2009/10, 57.1 in 2010/11 and 58.1 in 2011/12. In the 2nd cycle of primary school, it was 45.7 in 2009/10, 45.0 in 2010/11 and 41 in 2011/12. In secondary school (1st cycle), pupil: teacher ratio was 40.2 in 2009/10, 34.9 in 2010/11 and 30 in 2011/12.In the 2nd cycle, on the other hand, it was 25.3 in 2009/10 and 26.1 in 2010/11 and 26 in 2011/12.

With regard to **health** sector, the primary health service coverage increased from 52% in 2001/02 to 72% in 2004/05 and increased further to 91% in 2011/12. Contraceptive Prevalence Rate increased from 14.7% in 2004/5 to 28.6 per cent in 2010/11, Infant and Under five mortality rates have declined to 59/1000 and 88/1000 in 2010/11 respectively from its level of 77 and 123 in 2004/5. Remarkable results that have been recorded in the health sector signify a promising prospect in achieving the MDGs by the end of 2014/15. However, the maternal mortality ratio, one of the targets of the MDGs, did not show a decline and remains at 676 per 100,000 in 2010/11. Improved drinking water coverage reached at 58.25% in 2011/12. Proportion of households using improved latrine was 86 per cent in 2011/12. HIV/Prevalence rate decreased from 2.4% in 2009/10 to 1.5% in 2010/11.

Gender equality and empowerment of women: Gender parity index in primary education (1st cycle) enrollment has reached at 0.93 in 2009/10, 0.97 in 2010/11 and 0.93 in 2011/12. In the second cycle, it was 0.97 in 2009/10, 0.96 in 2010/11 and 0.99 in 2011/12. Gender parity index

In the 1st cycle of secondary school, was 0.80 in 2009/10, 0.83 in 2010/11 and 0.88 in 2011/12. In the second cycle of on the other hand, it was 0.46 in 2009/10, 0.71 in 2010/11 and 0.76 in 2011/12. The participation of women in decision making with the parliament, judiciary and executive bodies reached 27.9%, 30% and 16.5% respectively.

Ethiopia is among the first countries in Africa to adopt the MDGs and put them into the national development context such as in the Sustainable Development and Poverty Reduction Program (SDPRP), A Plan for Accelerated and Sustained Development to End Poverty (PASDEP) and currently on going the Growth and Transformation Plan (GTP). While eradicating poverty is the core objective of the Ethiopian Government, broad based economic growth, social development and good governance are the main development agenda of the country where the MDGs have exactly been placed for mainstreaming.

Ethiopia is well on track in achieving the MDGs except few goals including goals related to maternal health and women empowerment (Annex 1). However, the poverty level is still unacceptably high, urban unemployment remains as high as 17.5%, lack of quality of education and health services, women empowerment, inadequate external finance for reducing child mortality programs, inadequate training and innovative human development to accelerate the MDG and lack of full-scale mobilization of resource to finance the health sector development program are major challenges in implementing MDGs.

3. Fundamental Transit Policy Issues:

Reform measures in the transit transport sector have been taken at the national level and through the bilateral relation with transit neighbors. Ethiopia has taken these measures as an integral part of a general policy on poverty reduction and sustainable development strategies. This position is also reflected in the Growth and Transformation Plan (2010/11 – 2014/15).

At the national level legislative acts of different hierarchy were issued which include, among others: national laws regulating multimodal transport of goods, dry port services enterprise establishing regulations, regulations on freight forwarding and shipping agency service provisions, enabling legislation for the establishment of Maritime Affairs Authority and now for the establishment of Ethiopian Shipping and Logistics Services Enterprise which is the amalgamation of three government transit and transport logistics companies.

At the regional, sub-regional and bilateral levels Ethiopia has taken part in the development and finally adoption of the African Maritime Transport Charter. Ethiopia is also actively participating in the COMESA Transport initiatives. In its bilateral relations with the neighboring transit countries, treaties on port utilization and services to import/ export cargoes and maritime transport cooperation have been signed with The Sudan, Djibouti and Yemen.

High priority has been given to developing and modernizing infrastructural facilities along the Ethio- Djibouti transit corridor. The newly established government entity, the Maritime Affairs Authority, has been exerting efforts to monitor and promote the implementation of the Almaty Program of Action, under the instruction of the Ministry of Transport. National Programs of Transit Transport Facilitation are being developed which aim at curbing the current problems in this sector.

The sector needs trained man power which Ethiopia currently lacks that needs the support and assistance of development partners through integrated training programs encompassing all levels, from top management to low- level operators, in both the public and private sectors. To alleviate this problem the ministry of transport established National Logistics Excellency center with cooperation of Addis Ababa University.

4. Infrastructure development and maintenance:

The Port of Djibouti has become the natural gateway for majority of Ethiopia's foreign trade. The relationship between the two sisterly countries has for long been constructive and it could be referred to as a good example of genuine partnership between landlocked and transit developing countries. Agreements for the implementation of multimodal transport system were signed between Ethiopia and Djibouti, which were accompanied by the construction of dry ports in Ethiopia. Adequate infrastructure is a big concern for Ethiopia in order for it to ensure smooth and speedy transit. New policies and institutional reform are in place to address these issues. The establishment and operational cost of dry port facilities has involved considerable investment.. It should be emphasized that Ethiopia, despite its enormous efforts and the allocation of huge portion of its GDP on the construction of roads and dry port facilities along the transit routes, needs to be supported with financial and technical assistance to adequately attain efficient transit transport system. At present, the Government of Ethiopia has given utmost priority for implementation of projects which aim for the establishment of effective transit transport systems. The projects are being treated within the frameworks of action plans for the period ranging from five to ten years to come. Priority has been given to the establishment of multimodal transport and dry port services systems to respond to the growing needs of Ethiopia's import/ export movement.

It is well noted in the Almaty Program of Action that LLDCs, like Ethiopia, cannot on their own secure the resources for the projects they have already designed to develop infrastructure and facilities in the dry port. There are problems of quality of handling and storage facilities for transit cargo, cumbersome procedures for clearing and release of cargo, congestion and shortage of skilled manpower in the transit transport operations, both in the public and private sector.

Besides, encouraging achievements have been recorded in other physical and economic infrastructural development of the country in during the implementation of the Almaty Program of Action since 2002/2003.

Road: Physical accomplishment in road sector enabled the national level road length to have increased from 37,018Km in 2002/03 to 56,190km in 2011/12. Road density increased from 33.65km/1000Km^2 in 2002/03 to 57.4km/1000 km2 in 2011/12. As a result, the average travel time to all-weather roads declined to 2.9 hours in 2011/12 from 3.5 hours in 2010/11.

Railway: In the Growth and Transformation Plan (GTP),a total distance of 2,395Km of railway network being underway throughout the country including a 34km Addis Ababa Light Rail Transit (LRT) project. Of the 2,395km of rail way network; which is under construction, 750km is being constructed from Addis Ababa to the nearest sea port of Djibouti; which will have a significant impact in reducing transportation cost by transporting a bulk of export and import goods.

Telecommunication: With regard to telecommunication services, the number of fixed telephone subscribers increased from 620,000 in 2004/05 to 17.3 million in 2011/12, while the number of mobile subscribers increased from 410,630 in 2004/05 to 805,000 in 2011/12. At the same time, the number of Internet service subscribers increased from17, 375 in 2004/05 to 2.661 million in 2011/12.

5. International trade and trade facilitation:

Ethiopia's International Trade Performance: This sub-section reviews the performance of the external sector of the economy, which covers the changes on the growth and composition of exports including the main export markets, imports and the resultant trade balance. The total trade turnover of Ethiopia has shown a remarkable increase since 2003. The total trade turnover grew on average by 17% per annum between 2003 and 2012. Now it has reached about 14.4 billion USD which was 3.2 billion in 2003. On the other hand, the trade deficit has been widening from time to time. It has reached 7.9 billion in 2012 while it was about 1.4 billion in 2003.

Notwithstanding this, the export subsector plays a key role contributing to the economic growth and raising foreign exchange. Over the years, the overall performance of merchandize exports has shown a remarkable growth rate. The export performance during 2002/3-2004/5, i.e. during Sustainable Development and Poverty Reduction Program (SDPRP), grew at an annual average rate of about 26%. During 2005/06-2009/10 (during the Plan for Accelerated and Sustained Development to End Poverty-PASDEP), it grew on average by about 22% per annum, and over the last two years of the current plan period (Growth and Transformation Plan-GTP), it grew by 34.9% between 2009/10 and 2010/11. In 2010/11, merchandize export earning reached 2.8 billion USD, showing an increase of 37% from the level of USD 2 billion in 2009/10. Similarly, total merchandise export revenue in 2011/12 amounted USD 3.15 billion, showing a growth rate of about 15% compared to the preceding fiscal year. However, the performance of 2011/12 falls short of meeting the target of 3.7 billion USD.

Composition of Ethiopia's export is mainly of primary commodities. However, exports have shown significant diversification away from its dependence on primary products like that of coffee. In 1991, coffee has contributed to more than 55% of the country's total export earning while by the end of 2012, its share declined to even less than 36%.

The shares of other goods such as, cut flower, leather and leather products and other emerging export products have increased substantially. For instance, in 2000/01 coffee, oilseeds, leather and leather products, and gold were the top five export commodities, accounting for about 90% of the total value of merchandize exports. During this time, the flower industry represents the major success story, whose share registered remarkably from less than 1% at the beginning of the 2000s to about 10% a decade later. Similarly, the real value of exports lives animals, fruits and vegetables and meat and meat products have shown significant increase over the same period. In particular, primary goods exports rose rapidly between 2003/04 and 2011/12, compared to a 13% increase in non-primary exports over the same period. In general, the result shows a significant departure from the traditional, mono-crop dominated export sector, towards exporting manufacturing products.

Use of modern marketing system in the agricultural sector was the main reason for better performance in the export sub-sector. In order to modernize the agricultural market, a regulation was developed to trade main export commodities (such as sesame, coffee and soya bean) through Ethiopian Commodity Exchange (ECX) and other selected Primary Marketing Centers. To expand the foreign markets for agricultural products, exporters have been organized under different associations and thereby exhibitions and conferences have been organized to make exporters participate in international trade fairs. The exhibitions, conferences and trade fairs have helped identify obstacles in the marketing chains and take necessary measures in due course. Coordinated efforts were also done by the regional and federal export support and monitoring coordinating offices to support the export sub sector and create conducive environment for exporters.

However, the share of non-primary exports of goods still account for a small share of total exports highlighting there is still excessive reliance on primary commodity exports.

A look at the import trade: Imports have generally been increasing since the late 1990s. Imports of goods and services as a share of GDP increased from 24% in 2000/01 to 34% in 2011/12. Total merchandize import bill for the last five years, grew on average by 22% between the years 2007/8 - 2011/12. Total merchandise imports bill which was 6.8 billion USD in 2007/8 has reached about 11.1 billion USD in 2011/12. Over the given periods, the Ethiopian imports have mainly been driven by the rise in import bills of consumption and semi-finished goods, fuel, capital goods and raw materials. In the last two years, Ethiopia's imports were dominated by capital goods, consumables and intermediates, which together accounted for, an average of 82% of the total imports. Similarly, the share of imported capital goods in total value of imports increased from 29% in 2000/01 to 33% in 2010/11. The fact that increases in imports of capital goods indicates that there is higher domestic demand for investment goods. On the contrary, the share of capital goods import bill as compared to total imports declined to 26.9% in 2011/12 from 33.4% in 2010/11. Fuel import bills consumed 67.4 percent of total export proceeds in 2011/12. During the same period import of transport, agricultural and industrial goods rose by 18%, 88% and 1.4%, respectively.

Ethiopia's export share by destination between the period 2005 and 2012 was Europe, Asia and Middle-east, Africa and America, in that order. The share of Ethiopia's export to Europe on average was about 38%; Asia and Middle-East about 29%; Africa 18% and the United States of America 5%. From the top twenty export destinations by country, eight are in Europe (Germany, Netherlands Switzerland, Italy, United Kingdom, Belgium, France, & Turkey), four in Africa (Somalia, Sudan, Djibouti & Egypt), four in the Middle-East (Saudi Arabia, United Arab Emeritus, Israel and Yemen), two in the Far-East (China & Japan), one is in the south Asia (India) and the rest is in North America, the USA.

Over the periods under considerations, the top ten countries include Germany, China, Somalia, Netherlands, Saudi Arabia, Switzerland, Sudan, United States, Italy and United Arab Emirates took a share of 66% of the total export. Germany is number one market for Ethiopia's export, which had a share of 11.4% of the total export, followed by China taking 10.6% out of the total trade; both Germany and China on average absorb about 22% of Ethiopia's exports. Somalia, Netherlands and Saudi Arabia are also in the list of top five export destinations. Switzerland, Sudan, United States, Italy and United Arab Emirates are also in the list the top ten export destination of Ethiopia's goods. Export to Sudan has shown significant growth over the eight years period, from 10.9 million dollar in 2005 to over 176.7 million dollar in 2012. Therefore Sudan as the most rapidly growing export market for Ethiopia could represent a vast market opportunity to improve Ethiopian export performance.

Measures Taken to Reduce Transport and Trade costs: Success in international trade depends, amongst other things, on distance from markets. Lack of direct access to the sea, remoteness and isolation from major markets, inadequate transport infrastructure and cumbersome transit procedures are the main factors for high trade and transport costs that hampers the ability of landlocked developing economies to grow successfully. To reduce the costs of doing business and create conducive environment to enhance investment for economic growth, trade facilitation is thus becoming more and more necessity than requirement for a LLDC like Ethiopia.

Being a Landlocked least developed country (LLDCs), Ethiopia mainly uses the port of Djibouti, which is 910 kms east of the capital, Addis Ababa that serves as Ethiopia's main sea gateway. Over 90% of Ethiopia's total import-export trade is carried through the port of Djibouti. Ethiopia every year spends more than two billion birr[1] for port service. According to the study conducted by the African Trade Policy Centre (ATPC) of UNECA (2009), the estimated total transit costs have been consuming over 16% of Ethiopia's foreign trade value which is about two million dollars per day- an amount which too expensive for the country[2]. High cost of charges, reduced free time for imported cargos, the timely unavailability of empty containers for export cargoes and inadequacy of storage facilities are some of factors that escalated Ethiopia's total logistic cost for its import and export trade which in turn defiantly affects the country's competitiveness in the international trade performance.

Trade logistics efficiency plays an important role in competitiveness and trade facilitation. A challenging task lies ahead for trade logistics in Sub-Saharan Africa (SSA) including Ethiopia. The following fact describes the challenge vividly: Shipping a car from China to Tanzania costs $4,000; however, getting it from there to nearby Uganda can cost another $5,000[3]. Similarly trade costs and transit times are very high in Ethiopia. Importing a container in Ethiopia rather than in Tanzania adds an additional cost of US$1,095 for an Ethiopian importer. This difference can even go up to US$2,060 when compared with Vietnam or be as low as US$310 when compared to Kenya. Similar relations are observable when looking at the cost of exports.

In addition to shipping cost, cost of transit of goods from port to the main land is another burden for the trade competitiveness of LLDCs. Though comparing Ethiopia with other landlocked countries such as Rwanda, Uganda and Zambia, however, shows that Ethiopia's relative performance is better. The transit time which takes to import and export is about twice as long for Ethiopia as it is for China, Vietnam, and Kenya.

The emphasis of trade policy reforms often through tariff reductions to enhance international integration and strengthen competitiveness is generally good to lower costs, and thereby promotes exports. However, more needs to be done in lowering non-tariff barriers.

The experiences of fast growing countries show how crucial trade logistics are in facilitating trade. The dramatic transformation of successful emerging economies such as China and India was supported by advances in trade logistics to facilitate trade. According to a comprehensive global survey of international freight forwarders, India and China undertook aggressive reforms over the past decade to improve their logistics performance in support of economic transformation[4]. On the contrary, many countries in Sub-Saharan Africa (SSA) have experienced limited improvement in their logistics performance and this ultimately hampers economic development. Trade logistics is instrumental for attracting Foreign Direct Investment (FDI),

[1] G:\New folder (2)\Ethiopia uncomfortable with dependency on Djibouti port alone_ - Free Online Library.htm
[2] Business Daily, Kenya (Dec. 2009): Ethiopia to reap from Kenya's transport corridor
[3] The Economist, 2013
[4] World Bank, 2012

especially of the export-seeking kind that is so important for small economies[5]. Ongoing discussions at the World Trade Organization (WTO) as part of the Trade Facilitation Agreement negotiations have the potential to trigger improvements in the area.

As a country of big population and land size, the issue of trade logistics is particularly pertinent to Ethiopia. The substantial delay in shipping containers is one of many indicators that shows the challenges that exist in the field. Accordingly, Ethiopia's relative ranking in the World Bank Logistics Performance Index dropped from 123 in 2010 to 141 in 2012 out of 155 countries surveyed[6].

There is no doubt that poor trade logistics penalize importing and exporting firms. The recent World Bank study indicate that; poor trade logistics can add about 10 percent to production cost in light manufacturing in East Africa[7]. It can also cause long and uncertain delays, which are not acceptable to most global buyers, especially in time-sensitive industries. As a result, production is often confined to small market niches. For instance, Ethiopia exports only small volumes of low-value apparel products even though the free-on-board (FOB) price for an Ethiopian polo shirt (US$3.20) is more than 40 percent lower than the FOB price of an equivalent Chinese polo shirt (US$5.50). The higher Chinese price results from among others, shorter and more reliable delivery times and bigger volumes supply[8].

Studies reflect that, in Ethiopia the key drivers of high trade costs are related to inland transportation and handling, and document preparation. The World Bank study showed that in the apparel sector, for instance, higher inland transport costs adds more than a 2% production cost penalty and a 10-day delay, due to longer distances, inadequate transport infrastructure, and a lack of competition in the trucking industry[9].

To reverse the situations, the Government of Ethiopian has been taking a number of corrective measures. The main ones are the following.

a) **Infrastructure Development:** One of the main reasons for the high transport and trade costs is poor infrastructure. Building trade infrastructure is a daunting task for countries like Ethiopia. Despite the challenges, the Government has put concerted efforts in the past to expand the provision of affordable physical and economic infrastructure, such as road and communication which play a crucial role for the reduction of transport and trade costs and there by boost export. Massive capital investment was made to expand

[5] Delvin and Yee: 2005
[6] Ethiopia Economic Update II (EEU) June 2013, World Bank
[7] World Bank, 2012c
[8] World Bank, 2012c.
[9] World Bank, 2012c.

infrastructure services. However, because of the need for huge investment required, foreign exchange needs, inadequate domestic human and organizational capacity have posed serious challenges which hindered faster pace of infrastructure development.

b) **Searching for alternative ports:** Ethiopia is one of the countries with a significant size of both population area and the economy that depends on a single port for more than 90% of its international trade. Recognizing the nation's high dependency to a single port has become a big concern for two reasons: the increasing of transport, port handling and trade costs from time to time, coupled with the increased and fast growing volume of its import-export. Ethiopia's cargo accounts for 83 percent of the total cargo traffic at the port. Djibouti port has the capacity to handle ten million tons of cargo and 500,000 containers per annum[10]. In order to address the problem of capacity, Ethiopia has been assessing alternative ports like the port of Somaliland (Berbera), Port Sudan, and the Mombasa port and the port of Lamu port which is under construction of Kenya. As Part of the efforts to ease dependency on single port, Djibouti, Ethiopia is also forging better road links with its neighbors Sudan and Kenya.

c) Implementation of Multi-Modal Transport System and the Establishment of dry ports: When freight must be shipped both by land and sea, additional costs are incurred from shifting between different modes of transport. Since multimodal transport requires multiple changes of transport modes and route to the final destination, it necessitates frequent and costly loading and un-loading of goods, shipping delays and the need to contract several transport operators which also happen to be one of the causes for inflated trade cost. Another contributing factor is the sporadic use of containers for inland transport, for example, because of long turnaround times, risks of loss or damage to containers, and unsuitable road infrastructure.

Until recently, the main transit transport system between Ethiopia and its transit countries, in particular Djibouti was uni-modal transport. This transport system makes Ethiopia’s import to receive their imported goods at the port of Djibouti through their agents and Ethiopian Exporters to send their cargoes to the port of Djibouti for being stuffed in containers at Djibouti Port.

As part of reducing trade cost, the Government of Ethiopian reached an agreement with the Government of Djibouti to put into place the Multimodal Transport System. This system is believed to be an important source of improved shipping efficiency and cost savings by hastening the time required to clear the cargo at the dry port, where customs clearance will take place, rather than undergoing customs procedures. In this regard, the construction of dry ports at Mojo and Samera has been completed and is operational.

[10] G:\New folder (2)\Ethiopia uncomfortable with dependency on Djibouti port alone_ - Free Online Library.htm

The Growth and Transformation Plan has given due attention to the activities in this area. Enhancing capacity, strengthening and expanding dry port infrastructure services, facilitating export and import trade through improved transit corridors, reducing in general logistics time and costs incurred in import and export of goods as well as improving the management of freight vehicle so as to increase frequency of travel and reducing transportation time and cost are important activities that are in the process of being carried out. In this regard, the capacity of Mojo and Semera dry port for facilitating dry cargo increased from 12% in 2009/10 to 42% in 2010/11 although the plan was to increase the capacity to 50%.

The share of imported goods transited via dry port increased from 8 percent in 2009/10 to 11 percent in 2010/11, which is far below the target of 42 percent. Similarly, the share of export goods transited via dry port reached 12 percent in 2010/11 which was nil in 2009/10. In addition, the share of general cargo imports carried by the multi modal transport system increased from 2 percent in 2009/10 to 11 percent in 2010/11, showing a substantial increase when compared to the planned target, which was 4 percent.

To further improve the use of multi-modal system and further facilitates export and import of commodities, an agreement was also reached with the Government of Djibouti for a joint freight service. A cargo Terminal has been built and commenced service, which is believed to ease the transit of export and import trade. As part of faclitating the export of perishable agricultural products, a cargo terminal for cool storage was also constructed at Bole International Airport. The construction of new airports and expansion of exiting ones in different parts of the region have been underway to facilitate the cargo traffic.

d) **Competitive Environment in the Transport Sector:** Besides the development of transport infrastructure, increasing the effectiveness of the transport system is part of the Government effort to reduce transportation cost. To that end, the Ethiopian Government deregulated the transport sector by the proclamation number 14/1992 which was issued in May 1992. This proclamation laid down the foundation for the creation of large private trucking firms and competition in the freight traffic. From time to time, the private sector's capacity and role in the provision of transport services have been increasing. Nowadays, particularly in the Addis-Djibouti corridor, the competition and the availability of transport with reasonable price have been improving to support the need of the exporters.

In general in order to reduce the transport and trade costs and thereby to boost the export trade, the Government of Ethiopian has committed to make very large investments to further expand infrastructure services to strengthen the foundation for long-term and sustained growth and development.

Ethiopia's WTO Accession: Ethiopia is not yet member of the World Trade Organization (WTO). The Government of Ethiopia believes that joining the WTO will create a favorable international environment for the implementation of its international obligations on the trade area. Ethiopia believes that being part of the global system, can make the country use of foreign capital and technology to transform its traditional industries and accelerate the development of high-tech industries and service trades, and raise the overall levels of industrial development. It also believes that joining the WTO would help continue deepening the economic restructuring.

Ethiopia's economic structural reform is aimed at establishing a rapid economic growth through free market economic structure. The objective is to create a conducive environment for the private sector to play a constructive role contributing to the growth of a competitive market mechanism by being at the center of the country’s development process. On the other hand, the Government, as a developmental state, continues to play an important role where there is market failure or filling in the gaps in areas where the private sector lacks interest. The Government believes that joining the WTO will expedite the overall process of economic reforms, particularly the reform of State-owned economic entities and pushes forward the in-depth structural reform of foreign trade.

Joining the multilateral trading system, contrary to the current bilateral trade relation and negotiation, can give full expression to and reflection of the opinions and demands of Ethiopia to enable it play an important role in international economic affairs and enhance the country’s international status. Being part of the global trading system will help Ethiopia benefit from the multilateral dispute resolution mechanism in case of any frontal trade frictions and conflicts with other states, thereby effectively safeguarding the country’s legitimate rights and interests.

To this effect the Government of Ethiopia has started the process of the WTO Accession since January 2003 where it formally requested to become a member of the organization. Following the formal request for accession, Ethiopia submitted its Memorandum of the Foreign Trade Regime in December 2006 which was distributed to WTO Members in January 2007. Ethiopia received the first round of question from USA and Canada in February 2007 and held the first Working Party Meeting in May 2008. The second rounds of questions were received from USA, Canada and the European Commission in August 2008 and replies were prepared and submitted to the WTO in 2009. Following the Second Working Party Meeting which was held in May 2011, Ethiopia received the third round of questions from USA, the European Union and Canada in July 2011 and the replies have been prepared and submitted to the Secretariat in January 2012.

Many other accession documents like, ACC4 on the agricultural domestic support measures, ACC9 on implementation of Agreement on Trade Related Aspects of Intellectual Property Rights, ACC8 Checklist of TBT and SPS and a Draft Legislative Action Plan have been prepared and submitted to the WTO Secretariat together with the replies to the third round of questions. Furthermore, initial goods offer was finalized and submitted to the Secretariat in January 2012 before the third working party meeting held on 27 March 2012.

Ethiopia received the fourth round of questions from the working party members and the replies have been prepared. As per the request of the Working Party Members, side by side Ethiopia prepared Import licensing check list, Customs Valuation Check list, Subsidy and Countervailing notification and State Trading Enterprises' checklist, etc.

In connection with the accession process, Ethiopia has received technical and financial assistance from development partners with a view to hasten Ethiopia's accession process. In this regard,

- Impact assessment studies have been conducted on various issues including sensitive sectors by the financial support of UNCTAD, UNDP, EU, the World Bank, etc.
- Various legal reviews have been undertaken on several areas of the WTO agreements to make sure the compatibility with the rules and regulations of the WTO by the assistance of the USAID through its WTO Doha Accession Project and the Accession plus Project.
- Moreover, several capacity building activities have been undertaken at national and international levels. Some of these are:
    - Short and medium term WTO regional trainings and workshops have been given by WTO and UNCTAD;
    - Tailor-made Masters Programs have been designed and offered at the Addis Ababa University on Applied Trade Policy Analysis and Competition Policy & Regulatory Economics funded by World Bank and EU.
    - Seminars, workshops and awareness creation activities have also been provided in the area of WTO rules and accession procedures for the business community and other stakeholders by the assistance of USAID, UNDP, ILO, WTO, EU etc.

Although Ethiopia is not member of the WTO, it has been involved in some of the negotiations. In general, Ethiopia has been participating on the WTO Doha negotiations indirectly as it belongs to the African, the LDCs and the ACP Groups, respectively. Furthermore, Ethiopia has been participating informally in the negotiations of Trade Facilitation, which has been taking place in Geneva for many years now.

6. International Support Measures:

Ethiopia needs considerable amount of assistance. Cooperation arrangements to improve its port facilities and services for transit goods including the establishment of new dry ports have already planned. Though the projects are underway, they could not be fully effective due to financial and technical shortfalls. Development partners and the international financial institutions which are committed to support the implementation of the Almaty Program are expected to assist Ethiopia's future projects in establishing efficient transit transport system.

It is well noted in the Almaty Program that both the landlocked and their transit neighboring countries are in short of resources to develop the transit system in between. The same is true for Ethiopia despite its commitments and enormous efforts to meet the requirements to establish and maintain an efficient transit and transport system. Accordingly, it would be appropriate for the development partners to appreciate Ethiopia's endeavors in achieving the goals aspired by the Almaty Program. Hence, they should provide technical and financial backing to implement the country's transit and transport programs.

Ethiopia's Market Access: Being a least developed country, Ethiopia is beneficiary of unilateral trade preferences offered by developed and some advanced developing countries. The main unilateral trade preferences are the African Growth and Opportunity Act (AGOA) of USA, the Everything-but-Arms (EBA) of the EU, and the Generalized System of Preferences (GSPs) of deferent development partners including Canada, Japan, China, Turkey, India and the Russian Federation. There are also some other GSPs extended by Australia, Belarus, Bulgaria, Estonia, New Zealand, Norway, Switzerland to least developed countries.

It is believed that Ethiopia has no problem in terms of market access opportunity. However, the problem lies in the inability to effectively utilize the existing market access opportunities. There are different challenges that contribute to this lack of capability. Among the main challnges are:-

- Inadequate infrastructural facilities
- Luck of Institutional and human capacities
- Low productivity (lack of marketable surplus production at domestic market)
- Inability to meet order time due to internal capacity as well as transit and transport bottlenecks,

In addition to the internal structural problems, there are also external challenges which are demand side constraint. Some of the critical challenges are:

- Income and price inelasticity of agricultural products in the international market;
- The switch of consumer preference from agricultural to industrial products in the developed world.
- The openness of the economy to external shock (fluctuation in price of agricultural products in the international market)
- Stringent rules of origin of the different preference programs.
- Requirement of high quality standard which countries like Ethiopia may not meet.

Despite these challenges, Ethiopia is exerting maximum effort to benefit from trade. It has signed bilateral trade agreements with different countries to expand its market access opportunities, and doing its level best contributing to strengthening regional integration at the same time. In the case of COMESA, in order to show its good gesture towards regional integration, Ethiopia is implementing a 10% tariff reduction from the current applied rate to all imports sourced from COMESA countries. The country is also working towards the establishment of what is called IGAD Minimum integration program.

7. Monitoring of implementation and review:

Monitoring and Evaluation System in Ethiopia during the APoA period has been based on the Welfare Monitoring System Program, which was established in 1996. The main objective of the Welfare Monitoring System has been to provide the necessary socio-economic data and information for the implementation of Development Plans during the APoA period through the Monitoring and Evaluation System.

Monitoring and Evaluation System in Ethiopia includes the use of specialized surveys, the development of a matrix of indicators to track progress on inputs, outputs and outcomes, implementation of New Instruments such as the participatory poverty assessment and the use of routine administrative data generated by sectoral ministries.

In terms of institutional setup, the Ministry of Finance and Economic Development (MoFED) is coordinating the Monitoring and Evaluation activities (including preparing annual plan for budgeting, annual progress reports, organize review meetings, conduct evaluation and disseminate and use of monitoring and evaluation results) in the country.

Federal Implementing Agencies prepare and submit annual progress and implementation reports to MoFED. Central Statistical Agency (CSA) is mandated to gather socio-economic and demographic data through census, surveys, continuous registration and administration recording systems and compile, analyze and present to users useful data in user friendly formats. It provides technical support to implementing bodies to help them develop their capacities in the field. It plays a critical role for implementing the national Statistical Development Strategy (NSDS), which is under implementation from 2009/10 to 2013/14. The NSDS has defined strategic directions and designed an action plan to compile and analyze data from census, surveys and administrative sources. The NSDS is managed by the National Statistical Council (NSC), which is chaired by MoFED. CSA serves as secretariat of the NSC. Furthermore, CSA has established the Central Data Bank and is engaged in strengthening ETHIO-INFO database.

The Council of Ministers and the House of People's Representatives are higher decision making bodies in relation to the development plan implementation, to review the quarterly and annual progress reports and to give directions and decisions.

8. Emerging issues:

Emerging issues that have impact on the country's socio-economic development prospects should seriously be considered in the formulation of the new Programme of Action. During the implementation of APOA, Ethiopia has come to realize that there are additional priority areas that need to be taken on board in the new Programme of Action. As such, the new POA should lay the foundations for programs that would help to enhance the productive capacities and productivities of LLDCs, and provide technical, technological and managerial assistance to enhance their institutional and human capacities.

9. Conclusions and The way forward:

I. Conclusions:

Over 90% of Ethiopia's total import-export trade is carried through the port of Djibouti. Studies show that the estimated total transit costs have been consuming over 16% of Ethiopia's foreign trade value which is about two million US$ per day, and which literally bleeds the economy. High cost of charges, reduced free time for imported cargos, the timely unavailability of empty containers for export cargoes and inadequacy of storage facilities remain the major factors that escalated Ethiopia's total logistic cost for its import and export trade thereby affecting the country's competitiveness in the international trade performance.

Poor trade logistics penalize importing and exporting firms and it can add about 10% to production cost. In addition to shipping cost, cost of transit of goods from port to the main land is still another burden for the trade competitiveness of Ethiopia.

Studies reflect that, in Ethiopia, the key drivers of high trade costs are related to inland transportation and handling, and document preparation. The World Bank study shows that inland transport costs adds more than a 2% production cost penalty and a 10-day delay, due to longer distance, inadequate transport infrastructure, and a lack of competition in the trucking industry.

To reverse these challenges, the Government of Ethiopia has been taking a number of corrective measures including infrastructure development (road network increased from 37,018 km in 2002/03 to 56,190km in 2011/12, number of mobile subscribers increased from 410,630 in 2004/05 to 805,000 in 2011/12, number of internet service subscribers increased from 17,375 in 2004/05 to 2.661 million in 2011/12); Search for alternative ports (because of the increase of the volume of import-export and increasing of transport, port handling and trade cost time to time). Port of Somaliland (Berbera). Port Sudan and the Mombasa port and the Port of Lamu planned to be used alternative port to ease dependency on single port of Djibouti. Implementation of multi-modal transport system and the establishment of dry ports, competitive environment in the transport sector to enhance efficiency of the transport system are also important undertakings to improve the country's competitiveness in trade.

Recognizing the benefits of being member of the WTO and to fulfill its international obligation in the area of trade, the Government of Ethiopia has started the process of the WTO accession since January 2003 when it formally requested to become a member of the organization. Since 2003 Ethiopia has passed through different stages in fulfilling membership criterion. However, Ethiopia is not yet member of the World Trade Organization (WTO). Although Ethiopia is member of the WTO, it has been involved in some of the negotiations including the WTO Doha negotiations indirectly as it belongs to the African Group, the LDCs Group and ACP Group, respectively. Ethiopia has also been participating informally on the negotiations of Trade Facilitation.

With regard to international support, the Net Official Development assistance (ODA) receipt increased from USD$1,635 million (of which 0.1% for communication and 28.2% for transport and storage) in 2008 to USD$2,614.5 million (of which 0.02% for trade policy and regulation and 10.6% for transport and storage) in 2012. The percentage share of ODA to GNI has fluctuated between 6.1% and 8.6% during 2008 and 2012.

Total Debt, which was USD$ 1.8 billion in 2004/05 reached USD$4.1 billion in 2006/7. Ethiopia benefited from debt relief programmes. The amount gradually declined to its lowest level of US$9.12 million in 2010/11 and reached US$17.62 million in 2011/12.

Challenges: Challenges identified during the implementation of the APoA are limitation of technical and technological capacity, imported inflation, limited investable resources and low mobilization of domestic financial resources to finance the massive investment requirement for rapid growth, implementation and management capacity. And the major gaps of Ethiopia in overcoming challenges are lack of human and financial resources, and lack of technical and institutional capacity.

II. Recommendations:

The following are recommended for action in addressing challenges and constraints in the next Program of Action for LLDCs: further expand infrastructure including construction of dry ports, roads and communication networks; address the problem related to poor trade logistics and inefficient transportation system; technical assistant to facilitate the process of WTO accession of LLDC; address the challenges related to human, financial, technical and institutional capacity; effectively mobilize and use external resources including ODA; effectively utilize international market access; strengthen the integration of the Almaty Program of Action by further identifying and including additional indicators in the policy matrix of the current development plans and reports that could help measure the progress better; strengthening commitments in allocating more resources to pro-poor and growth enhancing sectors; strengthening partnership with development partners which also help the county to achieve the long term development goals of the country.

Although many of the indicators to measure the progress in APoA are already in the current monitoring and evaluation system of the current five-year development plan (Growth and

Transformation Plan (2010/11-2014/15), it is necessary to follow-up the inclusion of the indicators in the annual reports and in the discussion of review meetings and evaluation exercises.

It is also specifically recommended that the following areas of development be included in the next program of action for LLDCs as additional priorities: productive capacity and productivity; technical, technological and managerial assistance to enhance the institutional and human capacities.

Annex: Summary of major Progress towards the MDGs:

No.	MDG Goals	Indicators	Base year (1990)	Target(2015)	Progress to date
1.	Eradicate extreme poverty and hunger	GDP Growth Rate		11.2%	11.0% (2003/4-2011/12)
		Percent of population below poverty line	45.5 (1995/6)	22.2	27.6 (2011/12)
		Percent of population below food poverty line	49.5 (1995/6)	25	32.7 (2011/12)
2.	Achieve Universal education	Gross Primary Enrolment Rate	32%	100%	95.4% (2011/12)
3.	Promote gender equality and empowerment	Gender Disparity: Primary education(1-8)	0.66	1	0.93 (2011/12)
4.	Reduce child mortality	Under 5 Mortality	190/1000	85/1000	88/1000 (2010/11)
5.	Improve Maternal health	Maternal Mortality Ratio	871/100000 (2000)	290/100000	676/100000 (2010/11)
6.	Combat HIV/AIDS	HIV/AIDS Prevalence Rate	7.3%	7.3%	1.5% (2011/12)
7.	Ensure environmental sustainability	Potable Water Coverage	19%	60%	58.25% (2011/12)