

[View on Web](#)

The Imperative Need for a Robust Cargo Tracking System in Djibouti

16th May, 2024



As a strategic maritime chokepoint situated in the Horn of Africa, Djibouti serves as a critical gateway for international maritime trade and a vital economic lifeline for several landlocked nations in East Africa, including Ethiopia, South Sudan, and parts of Somalia. However, the lack of an efficient and transparent cargo tracking system has hindered the seamless flow of goods, hampering regional integration and economic growth. Implementing a robust cargo tracking system in Djibouti is an imperative step towards facilitating trade, reducing costs, and fostering an enabling environment for ease of doing business in the region.

The Challenges of Inefficient Cargo Handling

A 2019 study by the United Nations Conference on Trade and Development (UNCTAD) highlighted the crippling impacts of inefficient border procedures and inadequate logistics

infrastructure on landlocked developing countries (LLDCs). The report estimated that LLDCs face trade costs that are nearly 50% higher than their coastal counterparts, with transport costs alone accounting for a staggering 20% of the total import value. This disparity not only erodes the competitiveness of LLDCs but also hampers their ability to participate effectively in global value chains.

The Case of Ethiopia

Ethiopia, a landlocked nation with a population of over 110 million, heavily relies on the port of Djibouti for its international trade. **According to the World Bank's Logistics Performance Index (LPI) 2018, Ethiopia ranked 126th out of 167 countries, with a score of 2.38 out of 5, underscoring the challenges faced in logistics and trade facilitation.** Delays and inefficiencies at the Djibouti port have been identified as a significant bottleneck, contributing to higher costs and longer transit times for Ethiopian imports and exports.

A study by the United Nations Economic Commission for Africa (UNECA) estimated that a 48-hour delay at the Djibouti port could result in a loss of over \$50 million annually for the Ethiopian economy. Furthermore, the lack of real-time visibility and tracking of cargo movements exacerbates the challenges, hindering effective supply chain management and decision-making for businesses.

The Benefits of Cargo Tracking Systems



The implementation of a robust cargo tracking system in Djibouti can yield substantial benefits for the region, contributing to improved trade facilitation, enhanced supply chain efficiency, and increased economic competitiveness. Some of the key advantages include:

1. **Transparency and Visibility:** Real-time tracking of cargo movements enables greater transparency and visibility throughout the supply chain, allowing stakeholders to monitor shipments, identify bottlenecks, and make informed decisions.
2. **Reduced Costs and Transit Times:** By streamlining cargo handling processes and minimizing delays, a cargo tracking system can significantly reduce transportation costs and transit times, enhancing the competitiveness of businesses in landlocked countries.
3. **Improved Inventory Management:** With accurate and timely information on shipment locations and estimated arrival times, businesses can optimize their inventory management strategies, reducing stockouts and minimizing carrying costs.
4. **Enhanced Security and Risk Mitigation:** Cargo tracking systems can help mitigate risks associated with theft, loss, or damage to goods, providing greater security and accountability throughout the supply chain.
5. **Facilitation of Regional Integration:** By promoting efficient cross-border trade, a cargo tracking system can foster deeper regional integration and economic cooperation among landlocked countries and their coastal neighbors.

Case Study: The Djibouti Corridor



The Djibouti Corridor, a major trade route connecting Ethiopia to the Port of Djibouti, has been the focus of several initiatives aimed at **enhancing logistics** efficiency and regional

integration. In 2018, the World Bank approved a \$151 million financing package to support the Djibouti Corridor Digital Trade Facilitation Project. This project aims to establish a National Single Window system, which will integrate various trade-related processes and enable real-time cargo tracking and information sharing among stakeholders.

Additionally, the African Development Bank (AfDB) has been actively involved in supporting infrastructure development and trade facilitation along the Djibouti Corridor. In 2017, the AfDB approved a \$348 million financing package for the Djibouti-Ethiopia Transport Corridor Project, which includes the construction of a new road linking the two countries and the implementation of a corridor management system.

The implementation of a robust **cargo tracking system in Djibouti** is a critical imperative for unlocking the economic potential of landlocked countries in East Africa. By enhancing transparency, reducing costs, and facilitating trade, such a system can contribute significantly to improving the ease of doing business in the region. However, achieving this goal requires concerted efforts from stakeholders, including governments, international organizations, and the private sector. Through collaborative partnerships, strategic investments, and a commitment to regional integration, Djibouti and its landlocked neighbors can pave the way for a more prosperous and interconnected Africa.



AUTHOR:

Bibhuti Bhusan Routray

Head, Marketing