



**GREEN CITIES, INFRASTRUCTURE AND ENERGY PROGRAMME (GCIEP)**

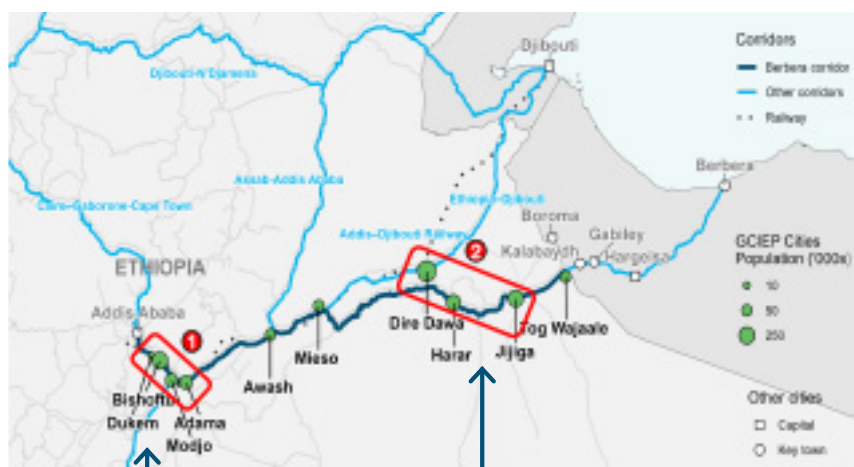
# Unlocking economic opportunities through secondary cities

In Ethiopia, rapid urbanisation and increasing trade volumes are placing growing pressure on key economic corridors, particularly the Addis Ababa–Djibouti corridor and the Addis-Tog Wajale Corridor, which handles the majority of the country’s imports and exports. While Addis Ababa dominates the national urban system, secondary cities along this corridor have the potential to improve logistics efficiency, support industrial growth and drive more balanced economic development. Recognising this opportunity, GCIEP is identifying strategic secondary cities – critical yet underutilised nodes within national logistics systems that can drive economic growth. In these cities, targeted infrastructure and investment preparation can unlock broader economic benefits – catalysing economic clusters and attracting private sector investment.

## From diagnostics to dialogue to select a secondary city

GCIEP first delivered a diagnostic and mapping exercise across Ethiopia’s secondary cities, focusing on cities located along major economic corridors. This analysis examined factors such as transport connectivity, logistics infrastructure, industrial activity and urban expansion potential.

Building on this initial mapping, GCIEP convened a series of stakeholder consultations alongside reviews of existing planning documents to better understand development priorities and investment opportunities. These consultations



**Prioritised clusters**  
 Addis-Adama cluster  
 Bishoftu, Modjo, Adama  
 Eastern cluster  
 Dire Dawa, Harar, Jijiga

The Addis–Tog Wajale Corridor in Ethiopia

brought together government agencies, city administrations, development partners and private sector stakeholders.

GCIEP also reviewed existing analytical work and planning initiatives, including urban mobility planning and corridor diagnostics, to ensure that new investment concepts aligned with ongoing strategies and avoided any duplication.

Through this combined process of diagnostics, consultations and document review, GCIEP identified a shortlist of cities with strong potential to drive where corridor-based economic development and growth. Among these cities, Dire Dawa emerged as a particularly compelling candidate for targeted investment preparation.

### Why Dire Dawa? A strategic logistics node

Dire Dawa stands out as one of Ethiopia's most strategically located secondary cities. The city sits at the intersection of several key logistics assets, including the Addis–Djibouti railway line, the Dire Dawa Dry Port, a Free Trade Zone and an emerging industrial-logistics cluster. This combination creates a rare multimodal logistics footprint, with access to rail, road and potential air cargo infrastructure within a relatively compact geographic area. The city therefore serves as a critical node within the Eastern Economic Corridor, connecting Ethiopia's main economic centre with its primary maritime gateway in Djibouti.



The team exploring opportunities for a regional logistics hub.

Despite these advantages, the city's logistics infrastructure and surrounding land uses have developed in a fragmented manner. Freight infrastructure has often been planned separately from urban land use planning and industrial development, limiting the city's ability to capture the full economic value of its logistics activities. To address this, GCIEP identified the potential for a freight-transit-oriented development (F-TOD) approach in Dire Dawa.

### From infrastructure to economic clusters: The freight-transit-oriented development opportunity

F-TOD integrates freight infrastructure with surrounding urban development and economic activity. Rather than treating freight infrastructure as isolated facilities, the model positions logistics hubs as anchors for broader economic

clusters, combining logistics services with industrial, commercial and distribution activities. In Dire Dawa, this model offers an opportunity to better connect existing logistics assets and unlock the economic potential of the city's strategic location along the Addis Ababa–Djibouti corridor – approximately 300 km from the Djibouti Port and 500 km from Berbera.

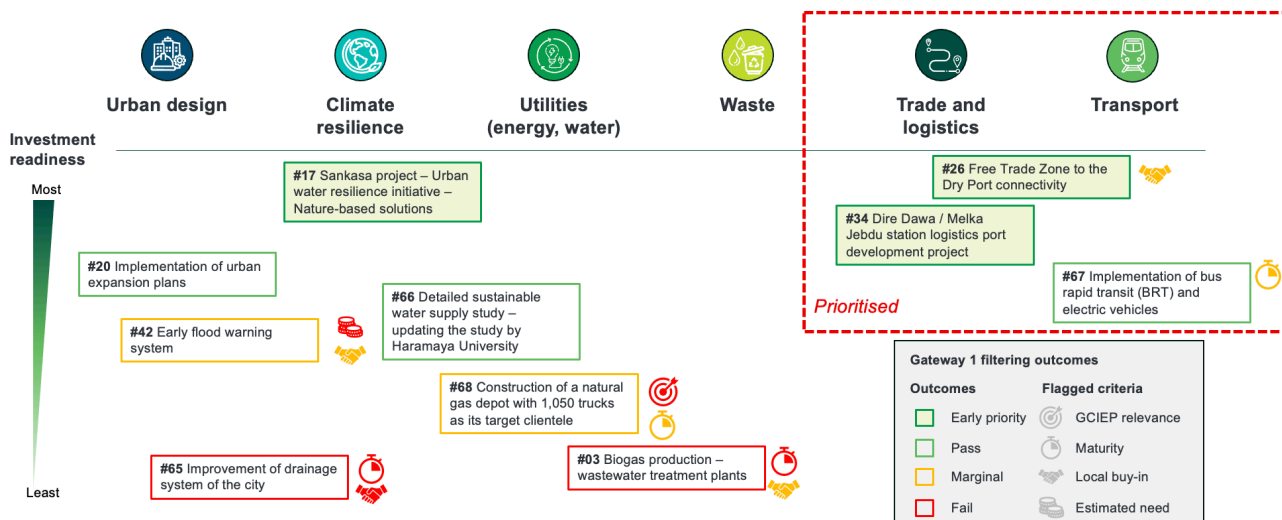
Therefore, GCIEP initiated an F-TOD market sounding and investment preparation exercise focused on this model in Dire Dawa, building on existing diagnostics such as the city's Sustainable Urban Mobility Plan (SUMP) and corridor development analyses.

### Investment opportunities identified

An opportunity scan assessed a range of potential projects across the city and surrounding corridor with stakeholder consultations and existing plan reviews. These were screened based on investment readiness, scale, alignment with financing opportunities and potential for private sector participation.

The resulting pipeline demonstrates how integrated freight and urban development can enhance logistics efficiency while catalysing industrial growth and economic activity.

Together, these investment opportunities illustrate how freight and transit infrastructure can be integrated with urban development planning to strengthen logistics efficiency and stimulate economic activity.



Indicative sectoral mapping of identified GCIEP opportunities in Dire Dawa

### OPPORTUNITY 1

#### Melka Jebdu station logistics port development

Located along the Addis Ababa–Djibouti railway corridor, this initiative aims to develop a logistics hub around the Melka Jebdu rail station, strengthening freight handling capacity and supporting logistics-related industrial activities in the surrounding area. GCIEP provides technical assistance for investment preparation in close collaboration with the Ethiopian Railway Corporation and the Dire Dawa City Administration.

### OPPORTUNITY 2

#### Free Trade Zone and dry port connectivity

This opportunity focuses on improving connectivity between the Dire Dawa Free Trade Zone and the dry port, which can help streamline freight movements and strengthen the city's role as a logistics hub.

### OPPORTUNITY 3

#### Urban mobility and complementary infrastructure

Additional opportunities include complementary infrastructure investments that support the logistics ecosystem, such as the implementation of bus rapid transit (BRT) systems and electric vehicles, identified in the city's SUMP.

#### Translating opportunities into investable projects

Scanning for opportunities has established a pipeline of potential investments that can strengthen Dire Dawa's role as a logistics and economic hub along the Eastern Economic Corridor. The next phase of the work focuses on market sounding and financial scoping, with the aim of identifying viable investment structures and engaging potential investors. GCIEP is exploring opportunities to

align projects with financing from development finance institutions and blended finance mechanisms, including organisations such as the African Development Bank, the World Bank, the European Investment Bank and other development partners.

An investor engagement event planned for June 2026 in Addis Ababa is expected to showcase selected investment opportunities and attract interest from public and private sector partners. While the opportunities identified has established a strong foundation, further work is required to advance projects to implementation, including detailed financial modelling, clarification of land ownership arrangements and development of viable public-private partnership structures.

### Key learning for unlocking economic opportunity in secondary cities

This work to connect secondary cities has generated several transferable lessons for economic corridor development:

- **Secondary cities attract investment more effectively when positioned as integrated logistics hubs:** Investment is more likely to flow into secondary cities when they are strategically developed as logistics hubs and integrated with key major corridors, as demonstrated by Dire Dawa's multimodal assets and proximity to the Addis–Djibouti trade route.
- **Early and continuous stakeholder engagement is key:** Engaging stakeholders at an early stage, such as government agencies, city administrations and private operators, plays a critical role in strengthening overall investment readiness and building consensus around F-TOD concepts.
- **Plans should be based on existing efforts:** Coordinating work with existing plans, such as the city's SUMP, corridor diagnostics and the Ethiopian Railway Corporation's bankable feasibility study, not only minimises duplication but also maximises the effectiveness and impact of interventions.

GCIEP is a demand-driven initiative focused on sustainable green cities and climate-resilient infrastructure in lower-income countries. As the flagship programme of the UK's Centre of Expertise for Green Cities, Infrastructure and Energy, GCIEP supports the UK Government's mission to accelerate investment in, and delivery of, infrastructure and urban development that is responsible, reliable, inclusive, low-carbon and climate-resilient.

A significant proportion of GCIEP's work is carried out in seven priority countries: Ethiopia, Ghana, Indonesia, Philippines, Mozambique, Vietnam and Zambia, where a Deep Offer programme provides long-term, systemic interventions focused on transformative change and infrastructure financing.

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