The Ethiopian Investment Board delivered a decision relating to improving the logistics industry in Ethiopia

Ethiopian Investment Commission

Improving Ethiopia's logistics sector performance has been one of the key areas identified under the Second Growth and Transformation Plan (GTP II). The Logistics sector matters in several critical ways: as a supporting industry to the manufacturing sector, to improve investment attraction/retention and for increasing the country's international trade performance by enhancing export competitiveness. However, to date, no significant improvement in cost or speed to market has been achieved. The country's low performance against its peers under international benchmarks is a key testament in this regard.

Today Ethiopia is at the cusp of manufacturing transformation. At this pivotal moment a deliberate, proactive, and progressive growth strategy for the logistics sector is needed. In doing so, a National Logistics Strategy has been approved last week by the Council of Ministers. In addition, the Ethiopian Investment Commission, in cooperation with the relevant government agencies and through the support of the World Bank Group has spearheaded several studies and consultations with industry stakeholders with the aim to identify the key binding constraints facing the sector and provide policy recommendations. These initiatives have recognized that in addition to its role as a supporting industry to other sectors of the economy, the logistics sector can be developed as a thriving and productive cluster that serves as another pillar of industrialization and driver of growth.

One of the key shortcomings of the sector relate to policy and regulatory barriers that precluded participation of international logistics service providers. Among others this has imposed serious strains on the export manufacturing sector as it limited the availability of capital and technology intensive end-to-end logistics solutions. Globally competing manufacturing firms have time and again stressed that such limitations have deprived them of logistics options that are available to their competitors in the international market.

The move to a modern logistics sector that serves the needs of cargo owners and at the same time delivers as another source of productive and sustained growth requires addressing constraints arising from current regulatory framework that prevents the participation of international logistics service providers. Meanwhile, it is also imperative to ensure that such reform objectives do not impose undue burden on the growth of the domestic logistics industry. In doing so one key consideration has been the promotion of joint venture investments between international players and their Ethiopian counterparts, the former holding minority stake participation. This will not only promote the transfer of technology and know-how to Ethiopia but also ensure that domestic players will retain key decision-making powers.

Accordingly, in accordance with the mandate given to it under the Investment Proclamation (as amended), the Ethiopian Investment Board has decided to lift the restrictions imposed under Article 3.1(b) of the Investment Regulation No. 270/2012, including the provision of bonded warehouse, consolidation and deconsolidation services and allow joint venture participation of international logistics service providers holding up to 49% or less stakes.

The decision is significant as it will improve the provision of high-end logistics services while local firms acquire world class knowledge, expertise, management, and systems by working jointly with globally reputed logistics service providers.

Ethiopian Investment Board

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