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NATIONAL BANK OF ETHIOPIA
 ADDIS ABABA

Directives No. FXD /47 /2017

Directives for Amendment of External Loan
 and Supplier's Credit Directives No. REL /05/2002

Whereas, the National Bank of Ethiopia is vested by its establishment proclamation no. 591/2008 and Investment Proclamation no. 679/2012 to regulate foreign exchange and having determined the procedures of registration to external loan is essentially set to be a criterion of regulating foreign exchange;

Whereas, an investor who acquires an external loan shall have also obliged to register such a loan with the National Bank of Ethiopia in accordance with the directives of the National Bank of Ethiopia;

Now, therefore, in accordance with Articles 20 and 27(2) of the National Bank of Ethiopia Establishment (as amended) proclamation No. 591/2008 and article 36(1 and 2) of Investment Proclamation no. 679/2012, these directives are hereby issued as follows:

Article 1

Short Title

These directives may be cited as "External Loan and Supplier's Credit Directives No./47/2017."

Article 2

Definition

In these Directives, unless the context requires otherwise:

2.1 "All-in-cost ceiling" means rate of interest, other fees and expenses in foreign currency excluding commitment fee and pre-payment fee.

2.2 "Bank" means a company licensed by the National Bank of Ethiopia to undertake banking business or a bank owned by the Government.



- 2.3 **“Exporter”** A person that sells goods or services that generate foreign currency;
- 2.4 **“External loan”** means a loan acquired from an eligible recognized lender and approved and registered by the National Bank of Ethiopia;
- 2.5 **“Foreign capital”** means paid up capital obtained from foreign sources, and includes the re-invested profits and dividends of a foreign investor and registered by pertinent government body;
- 2.6 **“Foreign Investor”** means a foreigner or an enterprise wholly owned by foreign nationals, having invested foreign capital in Ethiopia or a foreigner or an Ethiopian incorporated enterprise owned by foreign nationals jointly investing with domestic investor, and includes an Ethiopian permanently residing abroad and preferring treatment as a foreign investor;
- 2.7 **“Guarantee”** means any signed undertaking, however named or described, providing for payment on presentation of a complying demand;
- 2.8 **“Investor”** means a domestic or a foreign investor having invested in Ethiopia;
- 2.9 **“Supplier’s credit”** means an interim short term financing provided by a third party supplier;
- 2.10 **“Usance Letter of credit”** means a deferred payment letter of credit payable at a determined future date after presentation of conforming documents;
- 2.11 **“Person”** means any natural or juridical person;

Article 3

General

- 3.1 External loan guaranteed by Federal Government of Ethiopia shall be registered by the National Bank of Ethiopia by presenting the agreement and the guarantee issued there to.
- 3.2 An eligible borrower except stated under article 3.1 shall first get approval from the National Bank of Ethiopia before entering to external loan and supplier’s credit agreement with the lender/supplier.



- 3.3 An eligible borrower shall register the foreign loan remitted in cash or in kind by producing the necessary documents.
- 3.4 No repayment in convertible foreign currency may be allowed for the purpose of payment of external loan or supplier's credit unless registered by the National Bank of Ethiopia.
- 3.5 A Bank is allowed to open usance letter of credit for an exporter who imports equipment, raw materials, machineries and accessories for his export business against future export proceed.

Article 4

Eligible Borrowers and Requirements

4.1 Exporter

- 4.1.1 An exporter is eligible to acquire an external loan or supplier's credit provided that the acquired loan is going to finance an export - oriented investment that generates foreign currency.
- 4.1.2 A domestic investor who is engaged in projects that generate foreign currency is eligible to acquire external loan.
- 4.1.3 The following requirements shall be fulfilled for approval and registration of external loan or supplier's credit to be acquired by an exporter:
- a) Application letter;
 - b) Valid export license given by pertinent licensing authority;
 - c) For External loan; The draft loan agreement with detailed terms showing interest rates and applicable charges, loan disbursement schedule, repayment schedule, borrower-lender relationship, purpose of the loan and other particulars as may be deemed necessary by the National Bank of Ethiopia
 - d) For suppliers credit; Pro-forma invoice with repayment period and term of payment
 - e) Document justifying the capacity to repay the loan



4.2 Foreign Investor

- 4.2.1** A foreign investor is eligible to acquire external loan when it fulfills all requirements of article 4.2.3 of these directives
- 4.2.2** the debt to equity ratio may not exceed 60:40 of the foreign capital
- 4.2.3** The following requirements shall be fulfilled for approval of external loan and/or supplier's credit to be acquired by foreign investor:
- a) Application letter;
 - b) Valid investment or any other valid business license given by pertinent licensing authority as the case may be applicable;
 - c) Foreign capital registration certificate issued by pertinent government body
 - d) For external loan; the draft loan agreement with detailed terms showing interest rates and applicable charges, loan disbursement schedule, repayment schedule, borrower-lender relationship, purpose of the loan and other particulars as may be deemed necessary by the National Bank of Ethiopia;
 - e) For suppliers credit; Pro-forma invoice with repayment period and term

Article 5

Approval and Registration of External Loan

- 5.1.** The National Bank of Ethiopia shall issue approval letter for external loan and suppliers credit if all conditions are fulfilled under article 4.1 and 4.2
- 5.2.** The National Bank of Ethiopia shall register external loan up on presentation of the following documents:
- a) Application letter;
 - b) A bank advise (if the loan is in cash);
 - c) Customs declaration and all relevant shipping documents (if the loan is in kind);
 - d) Copy of external loan approval letters



Article 6
All-in- Cost Ceilings

6.1. The all-in-cost ceilings for external loan shall be:

Average Maturity Period	All-in-cost Ceilings
Up to three years	six month LIBOR or Equivalent in EURIBOR Plus 2%
Three years and up to five years	six month LIBOR or Equivalent in EURIBOR Plus 3%
More than five years	six month LIBOR or Equivalent in EURIBOR Plus 5%

6.2. When a changing international market requires, the National Bank of Ethiopia may vary the all in cost ceiling stated here in above.

Article 7
Guarantees

Any form of guarantee may not be issued by government and banks for private loan.

Article 8
Repayment of External Loan

8.1. The National Bank of Ethiopia shall approve repayment of external loan provided that the repayment request is as per the conditions mentioned in article 5 of these Directives.

8.2. The following documents should be presented to the National Bank of Ethiopia for approval of an external loan repayment:

- a) Application letter;
- b) Copy of external loan registration letter and
- c) Loan repayment schedule showing the computation of principal, interest and other charges as may deemed necessary by the National Bank of Ethiopia.



Article 9

Repeal

Registration of External Loan and suppliers' or Foreign Partners' Credit Directives No REL/005/2002 is hereby repealed and replaced by these Directives.

Article 10

Effective Date

These Directives shall enter into force as of October 03, 2017.


TEKLEWOLD ATNAFU
GOVERNOR

