



LEGAL UPDATES

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NBE BROADENS FRANCO VALUTA: ELIGIBILITY & PERMITTED USES

1. Introduction

The National Bank of Ethiopia (“NBE”), pursuant to the powers conferred upon it under Article 39(5) and (6) and Article 53(2) of the National Bank of Ethiopia Proclamation No. 1359/2025, has issued the Import on Franco Valuta Directive No. FVD/01/2026 (the “Directive”), which entered into force on 29 May 2026 (the “Effective Date”). The Directive repeals Article 8, sub-article 8.1.3 of the Foreign Exchange Directive No. FXD/01/2024, which previously provided a limited framework for Franco Valuta imports, and establishes a comprehensive legal and regulatory framework governing the importation of goods on a Franco Valuta basis.

2. Executive Summary

Unlike the previous regime, which contained only limited provisions permitting Franco Valuta imports bypassing the domestic banking system, the Directive introduces detailed rules governing eligible users (Article 5), permissible imports (Article 6 and 7), documentation requirements (Article 9), compliance obligations (Article 8), monitoring mechanisms (Article 10), and enforcement measures (Article 11 and 12).

This legal update summarizes the key changes introduced by the Directive and their implications for investors and other users of the Franco Valuta regime.

3. Rationale for Issuing the Directive

As reflected in the Preamble, the Directive is issued in recognition of the importance of Franco Valuta arrangements in facilitating trade and investment without exerting pressure on national foreign exchange reserves. It also responds to the absence of a comprehensive regulatory

framework, which has exposed the system to risks of misuse, misreporting, illicit financial flows, and circumvention of foreign exchange controls. Accordingly, the Directive aims to strengthen transparency, accountability, institutional coordination, and effective monitoring and control of Franco Valuta transactions.

4. Key Changes Introduced by the Directive

4.1. Eligible Persons

The Directive establishes a broad category of persons eligible to utilize Franco Valuta. These include licensed investors (domestic, diaspora, and foreign), manufacturing and industrial enterprises owned by foreign investors, FDI and diaspora traders, and strategic development projects.

In addition, eligibility extends to certain public and international entities, including government institutions, non-governmental organizations, diplomatic missions and their communities, civic organizations receiving grants, and religious organizations.

The Directive further includes owners of personal effects, referring to items owned by an individual for personal or household use, excluding motor vehicles.

4.2. Permitted Uses of Franco Valuta Under the Directive

The Directive classifies the use of Franco Valuta into key categories of import purposes as follow:

- **Investment and Manufacturing Use:** Franco Valuta may be used for investment and production-related imports, including capital goods, machinery, spare parts, raw materials, technology equipment, software, industrial and service inputs, and goods for energy and infrastructure projects. It also covers personal effects, donation goods, sample and temporary imports, warranty-related items, trade fairs, exhibitions, research purposes, fuel for eligible entities' own consumption, and other goods as may be authorized by the National Bank of Ethiopia.
- **Trading and Commercial Use:** Franco Valuta may also be used for commercial import activities, including wholesale and retail trade by FDI and diaspora traders, investment-

related goods and inputs, imports into special and free trade zones, as well as permanent imports, temporary imports, re-exports, and re-imports. It further includes other commercial goods authorized by the National Bank of Ethiopia or permitted under delegated authority of the Customs Commission.

4.3. Compliance Requirements for Utilization of Franco Valuta

To utilize Franco Valuta privileges under this Directive, users shall comply with the following requirements:

- **Obligations of Users:** Any Franco Valuta user, other than in relation to personal effects, shall maintain all required valid licenses, submit all necessary documents to the Customs Commission in accordance with the purpose of import, keep auditable records, and comply with all applicable laws and regulations.
- **Documentation Requirements:** Applicants for Franco Valuta imports shall submit, as applicable, a proforma or commercial invoice; relevant shipping documents (including bill of lading, airway bill, truck manifest, railway bill, or courier documents); and an investment or trade license, except where exempted (such as embassies, NGOs, and other entities not required to hold licenses). Additional documents may be required as specified in the annexes to the Directive.

5. Administrative Measures and Penalties

Any person who contravenes the provisions of this Directive shall be subject to one or more administrative or legal measures, including monetary penalties in accordance with applicable laws, confiscation of goods, and criminal liability under the National Bank of Ethiopia Proclamation No. 1359/2025 and other applicable laws.

6. Conclusion

The Directive introduces a comprehensive regulatory framework that significantly expands and clarifies the governance of Franco Valuta imports in Ethiopia. By detailing eligibility, permitted uses, documentation, compliance obligations, and enforcement measures, the Directive strengthens transparency and control while maintaining the policy objective of preserving foreign exchange reserves. Overall, it marks a shift from a fragmented regime to a structured and enforceable system.

About Million Alemu and Partners LLP

Million Alemu and Partners Legal Services LLP is a full-service law firm based in Addis Ababa, Ethiopia, providing comprehensive legal advisory and representation services to local and international clients. The firm is recognized for its commitment to excellence, practical legal solutions, and a client-centered approach across diverse practice areas.

With a team of experienced legal professionals, the firm advises on corporate and commercial law, dispute resolution, regulatory compliance, and other key areas critical to doing business in Ethiopia.

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