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Legal Update

Ethiopia's New Franco Valuta Regime

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The National Bank of Ethiopia ("**NBE**") has issued the Import on Franco Valuta Directive No. FXD/01/2026 ("Directive") establishing a comprehensive legal framework governing Franco Valuta import in Ethiopia effective from 29 May 2026. The Directive repeals Article 8, sub-article 8.1.3 of the Foreign Exchange Directive No. FXD/01/2024, which previously provided a general stipulation on Franco Valuta import only without details.

The Directive was introduced by the NBE in recognition of the absence of a comprehensive and modern regulatory framework for Franco Valuta transactions and their important role in supporting trade and investment without affecting the country's foreign exchange reserves. The Directive seeks to utilize alternative foreign exchange sources while putting regulation in place to avoid the risks of illicit financial flows

Who can benefit? (Eligible Users)

- **What are the permissible imports?**

The Directive categorizes this based on operational purpose as follows:

- **Investment and Manufacturing Related Use:** If the purpose of the import is to use it for investment and manufacturing the franco valuta may be permitted for the following:
  - **Industrials –** machinery, capital goods, spare art and accessories**,** and raw materials for manufacturing
  - **Inputs –** technological equipment, software, industrial, agricultural, and service inputs
  - **Infrastructure & Energy –** goods for renewable and non-renewable energy and infrastructure projects
  - **Operational:** goods for sample/experimental purposes, temporary imports, warranty-replacements, goods imported by third party service provider based on warranty agreement, for trade fairs, for exhibitions, for research and related items
  - **Fuel for Consumption:** allowed for foreign direct investors, embassies and international organizations
  - **Personal effects**
  - **Donation items**
  - **Others** – subject to the NBE approval

- **Trading & commercial use**: if the purpose of the import is to distribute or sell them within the Ethiopian market the franco valuta may be permitted for the following:
  - **For wholesale & retail trade** – allowed for Foreign Direct Investors (FDI) and diaspora traders who engage in such sectors
  - **For economic zone and free trade zone** – if importing goods directly into such zones
  - Permanent import, temporary import, re-export, and re-import goods;
  - **Other Authorized:** commercial goods authorized by NBE, or other goods permitted by the Customs Commissioner's discretionary as delegated by NBE.

- **Obligations of Users: (Except personal effect)**
  - Maintain valid licenses
  - Submit all required documents
    - Proforma/commercial invoice
    - Shipping documents
    - Valid licenses (unless exempt from being licensed)
    - Other relevant documents provided in the Annex of the Directive
  - Keep Auditable Records
  - Comply with applicable laws

- **New Digital System – FEMoUS**
  - Ethiopian Customs Commission is now mandated to integrate its operations with FEMoUS (Foreign Exchange Monitoring and Orchestration Unified System).
  - The digital integration means that all franco valuta transactions will be digitally recorded and traceable.

- **Strict Enforcement – Violations and Penalities**
  - **Violations**: Misuse of franco valuta; False declarations and Circumvertion or avoidance of control
  - **Administrative measures and penalties:** monetary fines; confiscation of the imported items; and Criminal liability as per the NBE laws

Disclaimer: This information is intended as a general overview and discussion of the subjects dealt with. The information provided here was based on Ethiopia's New Franco Valuta Regime Directive No. FXD/01/2026 ("Directive") and is final and accurate as of the day it was posted; however, the law may have changed since that date. This information is not intended to be, and should not be used, as, a substitute for taking legal advice in any specific situation. Mehrteab & Getu Advocates LLP is not responsible for any actions taken or not taken based on this information. Please refer to the full terms and conditions on our website.

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Founded by Mehrteab Leul Kokeb,
Mehrteab and Getu Advocates LLP ("MLA") is a leading full-service law office in Ethiopia, and has over 20 years experience advising and representing clients on wide range of legal issues concerning business and investment in the country.

MLA's clients range from start-up companies, to government entities and multinational corporations, such as, Coca Cola and General Electric (GE).

Committed to providing the highest quality of legal services, MLA offers its clients a personalized environment to build mutual trust as well as understand their objectives and cost concerns. The clients of MLA are guaranteed to receive legal services which are underpinned by the basic pillars of professionalism and excellence. MLA maintains a staff of highly trained legal professionals who work round the clock to meet clients' needs and expectations.

MLA's primary focus is to optimize clients' investment based on compliance driven legal strategies, and creative options. MLA lawyers work very closely with their clients to proactively structure deals in the best interest of the clients drawing from the rich experience the office has developed over the many years.

We advise businesses on numerous operational and ownership issues, and assist them in anticipating issues that may arise in pursuing their business and corporate strategies. Whether it is drafting or negotiating contracts, advising on structuring deals, or handling mergers and acquisitions, our lawyers possess the required expertise and experience to help our clients achieve their goals

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