

Ethiopian importers need to convert the local currency (Birr) into a foreign currency in order to pay their foreign suppliers. To this end, the importer must request a foreign currency approval from the National Bank of Ethiopia (NBE) via its bank, by lodging an “application for foreign exchange” and depositing the corresponding amount in birr on its account. Because of the perennial shortage of foreign currency in Ethiopia, the process of foreign currency approval can take long.

The Directive No. FDX/46/2017 of the NBE first, and the [Directive No. FDX/67/2020](#) afterwards, introduced the obligation for Ethiopian banks to give priority in the allocation of foreign currency to imports of a series of goods qualified as “essential”, on a first come first served basis. This list included pharmaceuticals and pharmaceutical products; motor oil, lubricants and LPG gas; manufacturing input, machineries and equipment; agricultural inputs and machineries; chemicals and edible oil, wheat and sugar, among others.

Consequently, goods included in this list were subject to a priority treatment in terms of currency conversion, while not included goods normally encountered long waiting queues.

The new [Directive No. FDX/77/2021](#), effective from 1 December 2021, repeals the Directive No. FDX/67/2020, introducing some changes to the list of priority essential products, that are now divided into 3 categories, according to their level of priority. Each Bank has to allocate and divide foreign currencies reserves among its clients in different shares according to the priority level of goods indicated in the Directive. For goods not included in these priority lists, foreign suppliers can wait long since the time when an order is placed until the time he will receive the payment and the shipment will be arranged.

After the importer has lodged an application for foreign exchange, the bank releases a bank permit which is similar to an import license to be submitted to Customs for clearance at import. Once the import permit is issued and cargo is cleared, the importer has to send to the National Bank of Ethiopia the proof of entry of the goods into Ethiopia within four months of the date upon which payment is made to the supplier (see the consolidated [Foreign Exchange Directives](#) of the NBE).

The proof of entry is given by the Customs declaration stamped by the Customs office where goods have been cleared. Once received the proof of entry, the NBE verifies that the amount converted from birrs to the foreign currency corresponds to the one effectively paid by the importer to its foreign supplier. If this sum of money does not match the amount requested in the application for foreign exchange, his name is recorded in a “Delinquent List” that will bar him

from obtaining any future bank permit for import of goods in Ethiopia.