Off-shore Account Opening and Operations for Strategic Foreign Direct Investment Projects
Directive No. FXD/86/2023

WHEREAS, it has become necessary to attract strategic investors across multiple sectors to provide much needed public goods and/or to generate new foreign exchange inflows;

WHEREAS, the contribution of strategic foreign investors for the sustained growth and development objectives of the country is evident;

WHEREAS, there is a need to create a preferential and flexible environment in certain limited cases for the opening of Off-shore accounts, for currency convertibility guarantees, and for modified debt-to-equity ratios in the case of strategic foreign investors;

WHEREAS, it has been found necessary by the National Bank to set separate legal procedures pertaining to these subject matters with a view to support the attainment of the aforementioned strategic objectives;

NOW, THEREFORE, in accordance with Art. 20 and 27(2) of the National Bank of Ethiopia Establishment (as amended) Proclamation No. 591/2008, the National Bank hereby issued this directive.

1. **Short title**

This directive may be cited as the "**Off-shore Account Operations for Strategic Foreign Direct Investment Projects Directive No.** FXD/86/2023"

2. Definitions

2.1 "**All-in-cost ceiling**" shall have the meaning assigned to it under Article 2(2.1) of the External Loan and Supplier's Credit Directive (as Amended) Directive No. FXD/82/2022;

2.2 **"Bank"** means a company licensed by the National Bank to undertake banking business or a bank owned by the Government;

2.3 "**Board"** means the National Bank's Board of Directors;

2.4 **"Convertibility Guarantee":** This is a guarantee providing assurance that local currency funds can be converted into foreign currency funds at the prevailing exchange rate.

2.5 **"Debt Service Reserve Account"** means a reserve account specifically set aside to make debt payments in the event of a disruption of cash flows to the extent that debt cannot be serviced

2.6 "**Executive Management"** means the National Bank's Executive Management;

2.7 "**National Bank"** means the National Bank of Ethiopia;

2.8 **"Public Private Partnerships" or "PPP"** shall have the meaning assigned to it under Article 2(12) of the Public Private Partnership Proclamation No.1076/2018;

2.9 **"Strategic Foreign Direct Investment Projects"** means PPP projects in power generation and infrastructure, large Mining Sector Projects with substantial export-earning potential, or other Foreign Direct Investment Projects as designated by the Executive Management.

3. Eligible Strategic Foreign Direct Investment Projects for Offshore Account Opening

The following Strategic Foreign Direct Investment Projects are eligible to open an Off-shore account to deposit the proceeds from their equity and loan financing sources:

a) A PPP project in the power generation and infrastructure sector that has large capital investment needs;

b) A large mining project with a substantial export-earning potential; and

c) Any other Strategic Foreign Direct Investment Project deemed eligible to qualify for such treatment by the Executive Management, considering among



others their special significance and contribution in terms of size, job creation, import substitute, foreign exchange inflows, technology transfer, or sector specific impact.

4. Eligible Payments

The eligible payments that can be covered from the Offshore Account are:

a) External debt service, including any debt service reserve accounts:
b) Insurance, contractor, and other warranty claims in foreign exchange:
c) Capital or investment expenses; and
d) Maintenance and operation expenses.

5. Debt-to-Equity Ratio

5.1 The debt to equity ratio may not exceed 80:20 of the foreign capital

5.2 Notwithstanding sub-articles 5.1 of this Article, the Board may give special approval in a case by case basis if the case found to be acceptable.

6. Foreign Currency Convertibility Guarantee

6.1 The Foreign Currency Convertibility guarantee shall only apply to strategic PPP energy and mining sector projects for loan repayment and dividend repatriation, and only after the project owner has exhausted all means to purchase foreign exchange from banks.

6.2 Any foreign currency conversion shall be done at the prevailing official rate, and will never take precedence over the servicing of sovereign external debt.

7. Transparency Requirements

The National Bank shall have the right to monitor any contracts associated with offshore accounts to ensure there are no malpractices involved.

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8. Reporting Requirements

8.1 Financial statements of the strategic foreign direct investment project shall be provided to the National Bank on a quarterly basis, clearly showing the inflows and outflows of the Offshore Account;

8.2 The Strategic Foreign Direct Investment Project shall provide annual projections of expected foreign exchange inflows and outflows for National Bank's foreign exchange monitoring purposes.

9. Applicability of other Directive

The relevant provisions of the External Loan and Supplier's Credit (as Amended) Directive No. FXD/82/2022 shall be applicable with respect to matters not covered under this directive. Notwithstanding this, the Board may give special approval for the "All-in-Cost Ceiling" of Directive No FXD/82/2022 on a case by case basis.

10. Effective Date

This directive shall enter into force as of September 8, 2023

Mamo Esmelealem Mihretu
Governor

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