

# **Directive No. FXD/28/2006**

## **Flower Export and Foreign Exchange Repatriations**

**Whereas** the Floricultural development and growth in the country is a promising business activity that is attracting many investors to undertake the business and is anticipated to be an important source of foreign exchange to the economy in the future;

**Whereas** the export of flower requires a special attention, follow-up and support in processing the export formalities by banks, recording the transactions and shipments.

**Whereas** the price of flower fetched at various international markets vary due to various factors, which requires regularly monitoring, and follow-up of the trading price development and proceed repatriation using the appropriate mechanisms put in place.

**Now, therefore,** in accordance with the Monetary and Banking Proclamation No. 83/1994 article 39 (1) and (2), this Directive is issued to monitor the export of flower, proceed repatriations and trading price.

### **I. Short Title**

This Directive may be cited as Flower Export and Foreign Exchange Repatriations Directive No. FXD/28/2006"

### **2. Definitions**

In this Directive, unless the context provides otherwise, the following terms shall have the meanings ascribed below:-

- (a) "NBE" shall mean the National Bank of Ethiopia
- (b) "Banks" shall mean Commercial Banks that process export permits

And collect proceeds from buyers and report to NBE.

(c) **"Direct Sales Contract"** - flower export sales arrangements made on contractual or consignment basis.

(d) **"Flower Auction Market"** - a specialized market where flowers of different species, grade and quality are traded on the basis of bid price offered.

(e) **"Auction Processing Agent"** - an organization/individual officially

Representing exporters at flower auction centers, processing the sales at the centers, collecting payments and transferring the proceeds to exporters.

(f) **"Auction Sales Outcome Report"** - A report that is provided by the

auction center to the exporter after the flower is sold on auction and handing over the items to the winners.

(g) **"Specialized Report On Flower"** - A report prepared by the auction

center and released to market participants, by country and geographical locations.

(h) **"Place of Auction"** - Generally refers to flower auction centers in many

countries and specific to the ones in Netherlands.

### **3. Flower Export Arrangements and Mode of Payments**

#### **1 Sales arrangements shall be carried out in the following two forms:-**

(a) Direct Sales

I. Contract base sales

ii consignment sales

iii negotiated sales

(b) Sales at the Auction Market

## **2 The Mode of payments applicable for flower exports**

(a) Consignment sales (Open Accounts);

(b) Letter of Credit (sight, acceptance upto 60 days);

(c) Cash Against Document (sight, acceptance upto 60 days); and

(d) Advance payment (transferred through banking system).

## **4. Flower Export Permit Processing by Banks**

The following shall apply for processing flower export permits

**1** All requirements indicated under FXD/26/2004 issued for processing

Export permits, monitoring the Fx repatriation and documentation

Requirements shall be applicable for the export of flower as well.

**2** In addition to article 4.1 of the above,

(a) Exporters are required to indicate on the export application the

Market where the flower is intended to be sold. (Auction Market/Direct Market), including the name of the agent delegated To process on behalf of the exporter.

(b) Exporters are also required to submit copies of the following documents along with the application

(I) Registration certificate or acceptance letter to participate At the auction center named.

(ii) Copy of the agreement signed with the intermediary agent

Authorized for handling the sales of the flower at the Auction center. The agreement should explicitly indicate charges and fees payable. The total charges deducted should not be more than 25% of the sales proceed expected from a particular export.

(iii) Purchase contracts or requisition for supply of flower from The buyer. (not applicable for auction sales)

(c) If exporters are using a specific bank and branch to process their export permits, items required under b(i) and (ii) can be placed in a permanent file and may not be necessary to attach with every export application. However, if changes are made the exporter is responsible to update the file and duly inform the bank.

**3** On the export application to be presented, the quantity and variety of roses (summer/cuttings) of flower to be exported shall be expressed in Number of stems including the total estimated value in foreign currency and the estimated price per stem. Partial shipments scheduled should aggregate and tally to the quantity and value expressed in the original application.

4 Exporters are expected to sell on the basis of the market price prevailing at the auction. Accordingly, the application form presented by the exporter should reflect the prevailing price per stem for the flowers to be sold.

5 Any partial shipment effected should bear the original permit number issued by its bank and partial shipment reference to which the quantity shipped is supposed to be consistent to the balance remaining under the permit. Exporters should therefore carefully check the balance and process the export provided sufficient balance in terms of quantity is available under the export permit.

## **5. Repatriation of Export Proceed**

1 Exporters shall have the responsibility to repatriate fully the net amount earned from the market in compliance with Article 4.2-b (ii) within 90 days from date of permit issuance.

2 Transfer of payments by the Auction agents or the direct buyers shall Clearly identify the bank permit or partial shipment ref and the appropriate references from the exporter. This requirement shall also be included on each invoice issued by the exporter in order to draw the awareness of buyers or the processing agents.

3 Any deductions retained out of the export proceeds for the purposes of covering agents fees and processing costs should clearly be stated in the transfer documents by providing

details regarding the Bank permit number or partial shipment reference number and others.

## **6. Reporting Requirements**

The following organizations and entities shall submit reports to NBE on regular basis.

### **1 Commercial Banks**

a) Banks shall report the status and position of flower exporters by providing details of the export permit issued, partial shipments made, proceeds received against the permits issued and deductions made as well.

b) All reports submitted to NBE shall be supported with documents

and relevant information confirming fulfillment of the export processes in line with the existing directives and procedures.

### **2 Flower Growers & Exporters' Association**

a) The flower growers/exporters Association shall forward flower auction prices fixed at the auction market specially the prices offered for flowers from Ethiopia, Tanzania, Uganda and Kenya on weekly intervals to NBE.

b) Sales results obtained from Direct and Auction Markets at least for 5% of the active list of exporters systematically picked shall be Forwarded by the Association to NBE on weekly basis.

c) Flower exporters shall arrange for proper information flow through

Their Auction Processing Agents who are expected to provide reports on the outcome of auction results and details of the Exported transferred including deductions made from each consignment delivered at the auction center to their respective banks who issued the export permits.

### **3 Ethiopian Customs Authority**

The Ethiopian Customs Authority shall send to NBE monthly reports of flower exports processed through their office classifying the details by exporters name, type of flower, number of stems, and the estimated values in Foreign Exchange, Bank permit number or partial shipment reference if any.

### **4 Flower Exporters**

The flower exporters to their bank who issued the export permits shall submit the following reports. If any rejections, damages or spoilage of flowers, partially or wholly encountered after shipments are effected, the situation Should immediately be reported by the exporter to its bank with supporting documents attached.

### **7. Ex-post Price Verifications and Monitoring**

- 1 Based on the export file and reports received from banks the NBE shall conduct ex-post price verifications and checks the proper compliance to the regulation in place.
- 2 Corrective actions and measures shall be taken based on the findings of the ex-post price verifications and inspection reports presented.

8. **Effective date**

This Directive shall enter into force as of 28<sup>th</sup> day of August, 2006

**Teklewold Atnafu**

**Governor**

**National Bank of Ethiopia**