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**NATIONAL BANK OF ETHIOPIA**  
**ADDIS ABABA**

Ref: V/GOV/FIS/006/2020

Date: June 01, 2020

All Microfinance Institutions

Ethiopia

Dear Sir/Madam,

Subject: Circular No. MFISD/01/2020

The outbreak of Covid-19 pandemic in countries around the world including Ethiopia has seriously affected individuals, businesses, corporations and the overall economic activities in different sectors that resulted in closure or reduced operation of businesses, rise in unemployment and reduced income of individuals. In response to this pandemic and in order to mitigate its effect, in addition to measures already taken by the National Bank that include availing short term financing facility through Development Bank of Ethiopia for the microfinance sector, it has become necessary to take further actions and also temporarily relax some of the regulatory requirements to enable MFIs to help their borrowers in managing their debt. Accordingly, the National Bank hereby:

- ☛ encourages microfinance institutions to fully implement the existing NBE Directives that provide for renegotiation i.e., restructuring or rescheduling of loans and advances for sectors that have been hardly hit by the impact of Covid-19 through undertaking case by case assessment and decision making at the discretion of each individual microfinance institution in a responsible manner. This is applicable to performing loans that have not been past due for more than 90 days as of March 31, 2020.
- ☛ temporarily suspends the requirements stipulated under Article 8.2.2, Article 8.2.3 and Article 9.2 of NBE Directives No. MFI/28/2016 for categorizing restructured loans as substandard loans, i.e. exempting MFIs from holding provision that have been required otherwise on same;
- ☛ temporarily suspends Article 6.1 and Article 6.2 of NBE Directives No. MFI/28/2016 that set out the maximum limit of 1% for a single borrower and 4% for group of borrowers, i.e., only for one time advancement of working capital loans to ensure continuity of viable businesses of existing customers in case borrowers have reached their maximum borrowing limit.

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E-mail: nbe.excd@ethionet.et Website. www.http:// www.nbe.gov.et

Date: June 01, 2020

- temporarily suspends the requirement stipulated under article 7.4 of Establishment and Operation of Credit Reference Bureau Directives No. CRB/02/2019 that requires for updating of credit information to the credit reference system for those borrowers impacted by Covid-19 and whose credit standing as a result has been downgraded to substandard or more severe classification. However, it is proposed that the updated information with the actual/real status of the loans shall be separately submitted to the Credit Bureau for information and follow up purpose;

This is, therefore, to inform you of the above direction and temporary relaxation of some of the regulatory requirements that shall be effective from June 01 - September 30, 2020 and be applicable only to those borrowers affected by the impact of Covid-19 for your implementation.

Sincerely yours,

  
Solomon Desta  
Vice Governor  
Financial Institutions  
Supervision



CC:

- H.E. The Governor
  - Microfinance Institutions Supervision Directorate
  - Legal Service Directorate
- National Bank of Ethiopia**