

Ethiopia Ad Hoc Bondholder Committee

Response to recent comments by Ethiopia in relation to the 2024 Notes

14 August 2024

The Ethiopia Ad Hoc Bondholder Committee (the “**Committee**”), consisting of international financial institutions based in the US and Europe and holding more than 40% in aggregate of the Federal Democratic Republic of Ethiopia’s (“**Ethiopia**”) 6.625% Notes due 2024 (the “**2024 Notes**”), expresses its disappointment following the recent unfounded public comments made by the Ethiopian authorities regarding possible principal haircuts to the 2024 Notes in relation to the intended external debt restructuring. The Committee does not view any such haircut as being consistent with its evaluation of Ethiopia’s economic fundamentals.

The Committee reiterates that it remains open to continued constructive engagement with the Ethiopian authorities, following the recent approval by the IMF board of the 4-year Extended Credit Facility (ECF) arrangement. However, the Committee views the government’s recent public statements as being incompatible with a good-faith approach to debt restructuring and notes that statements of this nature are likely to make negotiations more difficult and protracted. Furthermore, if assumptions have been made in conjunction with the Official Creditor Committee, whether in relation to securing financing assurances or otherwise, the Committee calls for transparency and public disclosure of the terms of these agreements to facilitate discussion among all stakeholders.

The IMF program is founded on conservative assumptions, which are clearly defined as such in the report dated July 12, 2024. This includes unambitious export targets below most Sub-Saharan African countries as well as historical program forecasts, which directly affect the two debt sustainability indicators the IMF regards as being significantly breached during the program and post-program periods. While the Committee recognises the considerable near-term reform efforts of the Ethiopian authorities, including steps taken to date towards a more flexible exchange rate, it also notes the absence of a credible fiscal commitment over time with the primary balance remaining in deficit for the forecast period.

Unduly conservative assumptions, coupled with unambitious fiscal efforts may lead to protracted restructuring negotiations, leading to a worse outcome for all stakeholders and undermining efforts by Ethiopia to continue to attract foreign investment. The Committee is aligned with Ethiopia’s declared commitment to transformative reforms but regards the conservative nature of the macroeconomic forecast on which the IMF program has been based as neither reflective of Ethiopia’s commitment to its reform efforts nor an appropriate starting point for a debt negotiation.

The Committee notes that it has been informed consistently that Ethiopia’s debt issues stem from liquidity rather than solvency concerns. Since January 2023, the Committee has engaged proactively and constructively with the Ethiopian authorities in good faith, and has developed and presented multiple proposals for liquidity-focused debt relief over this period. The Committee continues to remain ready and willing to engage with the Ethiopian authorities in accordance with the IIF Principles for Stable Capital Flows and Fair Debt Restructuring, and to proceed with a solution to provide liquidity relief. However, it does not see a justification for more substantial debt relief at this time.

Questions can be directed to:

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