

For Immediate Release

Statement of the Ad Hoc Bondholder Committee of the Federal Democratic Republic of Ethiopia's 6.625% Notes due 2024

17 February 2025

The Ethiopia Ad Hoc Bondholder Committee (the “**Committee**”) of the Federal Democratic Republic of Ethiopia’s (“**Ethiopia**”) 6.625% Notes due 2024 (the “**2024 Notes**”) has issued a paper detailing significant flaws in the recently published International Monetary Fund (“**IMF**”) Staff Report for the Second Review (the “**Staff Report**”) under Ethiopia’s Extended Credit Facility, which it believes are artificially creating a solvency issue for Ethiopia. The IMF’s overly conservative approach is undermining the efforts of Ethiopia’s external lenders and related stakeholders to reach agreement with Ethiopia on reasonable restructuring terms.

The Committee disagrees with the conclusions reached by the IMF in the Staff Report. In particular, as discussed further in the paper, the Committee objects to the IMF’s continued attempt to “reverse engineer” a stable financing gap and the resulting unwarranted and continued request for debt relief on the basis that Ethiopia suffers from an external solvency (rather than liquidity) crisis.

The Committee is seeking a solution that addresses Ethiopia’s liquidity issues against reasonable macroeconomic forecasts for the Ethiopian economy. The Committee believes, however, that the Staff Report projections continue to understate the improved current macroeconomic situation and outlook following Ethiopia’s considerable reform efforts. This results in the flawed conclusions that: (i) Ethiopia’s residual external financing gap remains unchanged; and (ii) debt relief is required to restore solvency. Both of these conclusions are highly improbable and unjustifiable.

In its paper, the Committee highlights four significant flaws it has identified in the IMF’s Staff Report, which together artificially create the picture of an external solvency issue for Ethiopia:

- The IMF’s external financing requirement analysis is unrealistic. By maintaining the \$3.5bn external financing gap estimate, the IMF fails to acknowledge significant improvements in Ethiopia’s macroeconomic situation since its initial report in July 2024. Importantly, this includes the end-July shift in the country’s monetary framework from an overvalued, pegged currency to a more flexible and competitive exchange rate regime.
- The IMF’s export projections remain significantly undervalued. Increases in key exports, including gold and coffee, will deliver exports in the current fiscal year significantly in excess of projections set out in the Staff Report, and the outlook remains overly conservative compared to historical data and regional peers.
- The reserve adequacy requirement during the program period serves to exaggerate the debt relief request despite significant changes now projected in the post-program period.
- Ethiopia’s debt service capacity is further limited by the US\$950m non-concessional borrowing for finance related to the Koysa Hydroelectric Dam Project, following an exemption granted to Ethiopia by the IMF without full transparency as to the funding arrangements.

Together these factors result in outputs that artificially imply a solvency issue which requires Ethiopia to seek greater concessions from its stakeholders in order to meet the IMF’s lending criteria than, in our view, are actually required to achieve debt sustainability.

The Committee’s position was recently corroborated by senior World Bank personnel Brian Pinto and Indermit Gill in their note entitled “*Ethiopia: Solvency or Liquidity?*” circulated in December 2024. Their note examined the IMF’s Debt Sustainability Analysis published in July 2024 and the Committee’s rejection of Ethiopia’s restructuring proposals on the basis that Ethiopia is facing a liquidity and not a solvency issue. Gill and Pinto conclude in their paper that “*the bondholders have a point: Ethiopia does not have a solvency problem. Nor does it have a debt sustainability problem.*” Gill and Pinto’s view is that “*Ethiopia should be trying to find ways to lengthen debt maturity and increase exports to address its liquidity problem, not asking bondholders to take a haircut.*”

The Committee is not in a position to agree restructuring terms for the debt obligations its members represent without a sensible and justifiable macroeconomic outlook. By continuing to disregard Ethiopia’s positive

economic adjustment progress, the Committee believes further delay to the already protracted restructuring negotiations is inevitable, prohibiting agreement of a much-needed restructuring for the benefit of Ethiopia and its people.

The Committee continues to reserve all its rights, including the right to bring proceedings in the English Courts to enforce Ethiopia's obligations under the 2024 Notes to pay the outstanding amounts.

Questions can be directed to:

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