



Treaty Series No. 30 (2003)

## Exchange of Notes

between the Government of the  
United Kingdom of Great Britain and Northern Ireland  
and the Government of the Federal Democratic  
Republic of Ethiopia

# concerning Certain Commercial Debts The United Kingdom/Ethiopian Debt Agreement No. 3 (2001)

Addis Ababa, 6 and 10 December 2002

[The Agreement entered into force on 10 December 2002]

*Presented to Parliament  
by the Secretary of State for Foreign and Commonwealth Affairs  
by Command of Her Majesty  
August 2003*

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**EXCHANGE OF NOTES BETWEEN THE GOVERNMENT OF THE UNITED  
KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND AND THE  
GOVERNMENT OF THE FEDERAL DEMOCRATIC REPUBLIC OF  
ETHIOPIA CONCERNING CERTAIN COMMERCIAL DEBTS (THE UNITED  
KINGDOM/ETHIOPIA DEBT AGREEMENT NO. 3 (2001))**

**No. 1**

*The British Ambassador at Addis Ababa to the Minister of Finance and Economic  
Development of the Federal Democratic Republic of Ethiopia*

*Addis Ababa*

*6 December 2002*

I have the honour to refer to the Agreed Minute on the Consolidation of the Debt of the Federal Democratic Republic of Ethiopia which was signed in Paris on 5 April 2001 and amended on 18 April 2002, and to inform Your Excellency that the Government of the United Kingdom of Great Britain and Northern Ireland is prepared to provide debt relief to the Government of the Federal Democratic Republic of Ethiopia on the terms and conditions set out in the attached Annex.

If these terms and conditions are acceptable to the Government of the Federal Democratic Republic of Ethiopia, I have the honour to propose that this Note together with its Annex, and your reply to that effect, shall constitute an Agreement between our two Governments in this matter which shall be known as “The United Kingdom/Ethiopia Debt Agreement No. 3 (2001)” and which shall enter into force on the date of your reply.

I am particularly pleased to be able to write in these terms on the eve of the Consultative Group meeting for Ethiopia.

MYLES WICKSTEAD

ANNEX

SECTION 1

**Definitions and Interpretation**

- (1) In this Annex, unless the contrary intention appears:
  - (a) “the Agreed Minute” means the Agreed Minute on the Consolidation of the Debt of the Federal Democratic Republic of Ethiopia which was signed in Paris on 5 April 2001 and amended on 18 April 2002;
  - (b) “Appropriate Market Rate” means the Reference Rate plus 0.5 per cent;
  - (c) “Business Day” means a day on which dealings are carried on in the London interbank market and (if payment is required to be made on such day) on which banks are open for domestic and foreign exchange business in London;
  - (d) “the Consolidation Period” means the period from 1 March 2001 to 31 March 2004 inclusive;
  - (e) “Contract” means a contract, including any agreement supplemental thereto, entered into before 31 December 1989, the parties to which include a Debtor and a Creditor and which either was for the sale of goods and/or services from outside Ethiopia to a buyer in Ethiopia, or was for the financing of such a sale, and which in either case granted or allowed credit to the Debtor for a period exceeding one year;
  - (f) “Creditor” means a person or body of persons or corporation resident or carrying on business in the United Kingdom, the Channel Islands or the Isle of Man, or any successor in title thereto;

- (g) “Debt” means any debt to which, by virtue of the provisions of Section 2(1), the provisions of this Annex apply;
  - (h) “Debtor” means the Government of Ethiopia or its public sector whether as primary debtor or as guarantor;
  - (i) “the Department” means the Export Credits Guarantee Department or any other Department of the Government of the United Kingdom which that Government may subsequently nominate for the purpose hereof;
  - (j) “Ethiopia” means the Federal Democratic Republic of Ethiopia;
  - (k) “the First Agreement” means the Agreement between the Government of the United Kingdom and the Government of Ethiopia on Certain Commercial Debts signed on 12 August 1993;<sup>1</sup>
  - (l) “Late Interest” means interest charged under this Agreement or either of the Previous Agreements on any amount of Debt or interest which remains unpaid after the date for payment specified therefor in that Agreement;
  - (m) “Maturity” in relation to a Debt:
    - (i) specified in section 2(1)(a), (b), (c) and (d) means either 28 February 2001 or the date for payment specified in the Previous Agreements if that date is later;
    - (ii) specified in Section 2(1)(e) means the due date for the payment or repayment thereof under the relevant Contract or on a promissory note or bill of exchange drawn up pursuant thereto;
  - (n) “the Ministry” means the Ministry of Finance and Economic Development of Ethiopia or any other institution which the Government of Ethiopia may nominate for the purpose of this Annex;
  - (o) “the Previous Agreements” means collectively the First Agreement and the Second Agreement;
  - (p) “Reference Rate” means the rate (rounded upwards where necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) quoted by the Reuters Monitor Money Rate Services (International Swap Dealers Association Interbank Rate from London) (page reference “ISDA”) as the rate at which six-month sterling deposits are offered in the London Interbank Market at 11 am (London time) two Business Days before the commencement of the relevant interest period. If the Reuters Monitor Money Rate Services are unavailable at that time on that date, the rate to be used will be the rate (rounded upwards where necessary to the nearest multiple of 1/16 (one sixteenth) of one percent) quoted to the Department by a bank to be agreed by the Department and the Ministry, as the rate at which that bank is offering six-month sterling deposits;
  - (q) “the Second Agreement” means the Agreement between the Government of the United Kingdom and the Government of Ethiopia on Certain Commercial Debts signed on 8 October 1997;<sup>2</sup>
  - (r) “United Kingdom” means the United Kingdom of Great Britain and Northern Ireland.
- (2) All interest payable pursuant to this Annex shall be calculated on the basis of actual days elapsed and a year of 365 days.
- (3) Where the context of this Annex so allows, words importing the singular include the plural and vice versa.
- (4) Unless otherwise indicated, reference to a specified Section shall be construed as a reference to that Section of this Annex.
- (5) The headings to the Sections are for ease of reference only.

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<sup>1</sup>Treaty Series No. 76 (1993) Cm 2413.

<sup>2</sup>Treaty Series No. 22 (1998) Cm 3952.

## SECTION 2

### **The Debt**

- (1) The provisions of this Annex shall, subject to the provisions of paragraph (2) of this Section and Article IV paragraph 4 of the Agreed Minute, apply to:
- (a) any amount of Late Interest accrued on principal or interest payable under the First Agreement which fell due on or before 28 February 2001 and remains unpaid; and
  - (b) any amount, whether of principal or of interest (excluding Late Interest) payable under the First Agreement which has fallen due since the start of the Consolidation Period or will fall due during the Consolidation Period and remains unpaid; and
  - (c) any amount of Late Interest accrued on principal or interest payable under the Second Agreement which fell due on or before 28 February 2001 and remains unpaid; and
  - (d) any amount, whether of principal or of interest (excluding Late Interest) payable under the Second Agreement which has fallen due since the start of the Consolidation Period or will fall due during the Consolidation Period and remains unpaid; and
  - (e) any other amount, whether of principal or of contractual interest accruing up to Maturity, which is owed by the Debtor to a Creditor and:
    - (i) arises under or in relation to a Contract;
    - (ii) is guaranteed by the Department as to payment according to the terms of the Contract;
    - (iii) is not expressed by the terms of the Contract to be payable in the lawful currency of Ethiopian birrs;
    - (iv) does not arise from an amount payable upon or as a condition of the cancellation or termination of the Contract; and
    - (v) has fallen due on or before 28 February 2001 (including Late Interest) and remains unpaid or will fall due during the Consolidation Period (excluding Late Interest) and remain unpaid.

(2) The Department and the Ministry shall, as soon as possible, agree and draw up a list of Debts (“the Debt List”) to which this Annex shall apply. The Debt List may be reviewed from time to time at the request of the Department or of the Ministry, but may not be added to or amended without the agreement of both the Department and the Ministry. Delay in the completion of the Debt List shall neither prevent nor delay the implementation of the other provisions of this Annex.

(3) For the purpose of this Annex, all Debts shall be deemed to be denominated in sterling. Where the currency of the Debt specified in the relevant Contract is US dollars or deutschmarks, each such Debt shall be converted into sterling at the middle spot rate of exchange of US dollars or deutschmarks for sterling. Such middle spot rate shall be determined by reference to the closing rates in London at date of Maturity as recorded in the Financial Times or, where the date of Maturity falls on a date on which there is no foreign exchange trading in London, on the latest preceding date on which such trading took place. In the event that there is no published record in the Financial Times for any such date the rate to be applied for such date will be the closing middle spot rate quoted by a bank to be agreed by the Department and the Ministry.

## SECTION 3

### **Payments under Previous Agreements**

The provisions of the Previous Agreements insofar as they relate to the payment of any Debt as defined herein shall cease to apply upon the entry into force of this Agreement.

## SECTION 4

### Debt Reduction and Payment

(1) The Department shall reduce the amount of each Debt specified in Section 2(1)(a) and (b) by 34 per cent and Section 2(1)(e) by 67 per cent on Maturity.

(2) The Government of Ethiopia shall pay to the Department, in accordance with the provisions of Section 6 of this Annex the amount of each Debt specified in Section 2(1)(c) and (d), and the remainder of the Debt specified in Section 2(1)(a), (b) and (e) on the following dates and in the following percentages:

<i>Repayment date</i>	<i>Percentage to be repaid</i>
31 March 2009	0.12
30 September 2009	0.20
31 March 2010	0.28
30 September 2010	0.38
31 March 2011	0.48
30 September 2011	0.58
31 March 2012	0.70
30 September 2012	0.82
31 March 2013	0.94
30 September 2013	1.08
31 March 2014	1.22
30 September 2014	1.36
31 March 2015	1.52
30 September 2015	1.70
31 March 2016	1.86
30 September 2016	2.06
31 March 2017	2.26
30 September 2017	2.46
31 March 2018	2.68
30 September 2018	2.92
31 March 2019	3.18
30 September 2019	3.44
31 March 2020	3.70
30 September 2020	4.00
31 March 2021	4.30
30 September 2021	4.64
31 March 2022	4.98
30 September 2022	5.34
31 March 2023	5.72
30 September 2023	6.12
31 March 2024	6.54
30 September 2024	7.00
31 March 2025	7.46
30 September 2025	7.96

## SECTION 5

### Interest Payment and Reduction

(1) Interest on the balance of each Debt shall be deemed to have accrued and shall accrue during, and shall be payable in respect of, the period from Maturity until the settlement of that Debt by payment to the Department.

(2) The Government of Ethiopia shall pay to the Department interest on each Debt in accordance with the provisions of Section 6 to the extent that such Debt has not been settled by payment to the Department. Such interest shall be paid to the Department half-yearly on 31 March and 30 September of each year (the "Due Dates") with effect from 30 November 2001, except that 70 per cent of the interest (excluding Late Interest) which

accrues and falls due between 1 November 2001 and 31 March 2004 inclusive and is not paid need not be paid; however, the remaining 30 per cent of such interest shall be paid on the Due Dates.

(3) All interest payable in accordance with the provisions of this Section shall be paid at the Appropriate Market Rate applicable to each half-yearly interest period commencing with the half-yearly interest period within which the Maturity of the Debt concerned occurs.

(4) If any amount of interest payable in accordance with the provisions of paragraph (2) of this Section is not paid on the Due Date, the Government of Ethiopia shall pay to the Department Late Interest on such amount of overdue interest.

## SECTION 6

### **Payments to the Department**

(1) When payment becomes due under the terms of Section 4 or 5, the Ministry shall arrange for the necessary amounts, without deduction of taxes, fees, other public charges or any other costs incurred outside the United Kingdom, to be paid in sterling to an account notified by the Department to the Ministry.

(2) If the day on which such a payment falls due is not a Business Day payment shall be made on the next succeeding Business Day.

(3) The Ministry shall give the Department full particulars of the Debts and/or interest and compensation to which the payments relate.

## SECTION 7

### **Exchange of Information**

The Department and the Ministry shall exchange all information required for the implementation of this Annex.

## SECTION 8

### **Other Debt Settlements**

(1) The Government of Ethiopia undertakes to fulfil its commitments under Article III of the Agreed Minute and agrees to accord to the Government of the United Kingdom terms no less favourable than those agreed with any other creditor, notwithstanding any provision of this Annex to the contrary.

(2) The provisions of paragraph (1) of this Section shall not apply to matters relating to the payment of interest determined by Section 5.

## SECTION 9

### **Preservation of Rights and Obligations**

This Annex and its implementation shall not affect the rights or obligations of any Creditor or Debtor under a Contract other than those rights and obligations in respect of which the Government of the United Kingdom and the Government of the Democratic Republic of Ethiopia are authorised to act respectively on behalf of and to bind such Creditor and Debtor.

## SECTION 10

### **Debt Swaps Option**

The Department shall give prior notification to the Government of Ethiopia if it wishes to exercise the option given in Article II paragraph 3 of the Agreed Minute to sell or exchange Debt. This option may only be implemented with the consent of the Government of Ethiopia and will only be exercised on condition that the Debt sold or exchanged is discharged in Ethiopian birrs.

## SECTION 11

### **Conditionality**

Unless the Department otherwise agrees, the conditions of Article IV paragraph 4 of the Agreed Minute shall apply to this Annex. If this Annex ceases to apply because this condition has not been fulfilled, all outstanding payments shall be due according to the original Contracts or according to the payment schedules in the Previous Agreements as the case may be, as if this Annex had never existed.

## **No. 2**

*The Minister of Finance and Economic Development of the Federal Democratic Republic of Ethiopia to the British Ambassador at Addis Ababa*

*Addis Ababa*

*10 December 2002*

I have the honour to acknowledge receipt of Your Excellency's Note of 6 December 2002 which reads as follows:

[As in No. 1]

I have the honour to confirm that the terms and conditions set out in the Annex to your Note are acceptable to the Government of the Federal Democratic Republic of Ethiopia, and that your Note together with its Annex, and this reply, shall constitute an Agreement between our two Governments in this matter which shall be known as "The United Kingdom/Ethiopia Debt Agreement No. 3 (2001)" and which shall enter into force today.

I have the honour to convey to your Excellency the assurance of my highest consideration.

SUFIAN AHMED











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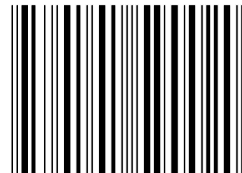
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