

AGREEMENT BETWEEN
THE UNITED STATES OF AMERICA
AND THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA
REGARDING THE CONSOLIDATION AND REDUCTION OF
CERTAIN DEBTS OWED TO THE UNITED STATES GOVERNMENT.

The United States of America (the "United States") and the
Federal Democratic Republic of Ethiopia ("Ethiopia") agree as
follows:

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ARTICLE I

Application of the Agreement

1. In accordance with the recommendations contained in the Agreed Minute on the Consolidation of the Debt of Ethiopia signed in Paris on April 5, 2001, as amended on April 18, 2002 and August 23, 2002 (hereinafter referred to as the "Minute") by representatives of certain nations, including the United States (hereinafter referred to as the "Participating Creditor Countries") and by the representative of Ethiopia, the September 1999 commitment of the President of the United States to provide 100 percent debt forgiveness to certain Heavily Indebted Poor Countries, and in accordance with the applicable domestic laws of the United States and Ethiopia, the United States and Ethiopia agree to consolidate and reduce certain Ethiopian payments with respect to debts which are owed to the United States Government as provided for in this Agreement.

2. With respect to amounts due to the United States Agency for International Development ("USAID"), USAID will notify Ethiopia of the amounts consolidated and reduced hereunder. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between Ethiopia and the United States with respect to PL-480 Agreements, which are administered by the United States Department of Agriculture ("USDA").

Article II

Definitions

1. "Contracts" means:

(a) credits extended under USDA PL-480 agreements ("PL-480") or loans from the United States Agency for International Development ("USAID Direct loans") that have original maturities of more than one year and were extended to Ethiopia or its public sector, or covered by a guarantee of Ethiopia or its public sector, pursuant to an agreement concluded with the United States before June 20, 1999 and

(b) the bilateral debt restructuring agreements concluded between the United States and Ethiopia on May 3, 1993 and October 9, 1997.

Debt service due as a result of debts described above and effected through special payments mechanisms or other external accounts is covered by this Agreement.

A table listing the relevant contracts to be included under this reduction is attached hereto as Annex A.

2. "Consolidation Period" means (i) the period from March 1, 2001 through March 31, 2002, inclusive; (ii) if the conditions set forth in Article IV (2) of this Agreement are satisfied, the period from March 1, 2001 through March 31, 2003, inclusive; and (iii) if the conditions set forth in Article IV (3) of this Agreement are satisfied, the period from March 1, 2001 through March 31, 2004, inclusive.
3. "Consolidated ODA Debt" means 100 percent of the sum of unpaid principal and interest falling due during the Consolidation Period with respect to the Contracts specified in subparagraphs 1(a) and 1(b) of this Article.
4. "Consolidated ODA Arrears" mean 100 percent of the amounts of unpaid principal and interest, including Late Interest Charges, due as of February 28, 2001, inclusive, as are result of Contracts specified in this Article.

5. "Late Interest Charges" means interest charges accrued through February 28, 2001 and payable on due but unpaid amounts of principal and interest, notwithstanding the payment of such principal and interest after the original due dates.

ARTICLE III

Terms and Conditions of Payment

1. One hundred (100) percent of the Consolidated ODA Debt Consolidated ODA Arrears are hereby cancelled.

A table summarizing the amount of Consolidated ODA Debt and Consolidated ODA Arrears to be cancelled if the Consolidation Period is March 1, 2001 through March 31, 2002 is attached hereto as Annex B1. A table summarizing the amount of Consolidated ODA Debt and Consolidated ODA Arrears to be cancelled if the Consolidation Period is March 1, 2001 through March 31, 2003 is attached hereto as Annex B2. A table summarizing the amount of Consolidated ODA Debt and Consolidated ODA Arrears to be cancelled if the Consolidation Period is March 1, 2001 through March 31, 2004 is attached hereto as Annex B3.

2. Adjustments in the amounts of Consolidated ODA Debt and Consolidated ODA Arrears may be made in writing, as necessary and by mutual consent.

ARTICLE IV

General Provisions

1. The provisions of this Agreement will apply during the period March 1, 2001 through March 31, 2002, inclusive, provided that Ethiopia maintains an appropriate arrangement with the International Monetary Fund ("IMF").

2. The Consolidation Period shall be extended to include the period March 1, 2001 through March 31, 2003, inclusive, provided that (i) the Executive Board of the IMF and Ethiopia complete before March 31, 2002 a second year arrangement under the Poverty Reduction and Growth Facility ("PRGF"); and (ii) Ethiopia has made all payments that are due to Participating Creditor Countries in accordance with the terms of the Minute.
3. The Consolidation Period shall be further extended to include the period from March 1, 2001 through March 31, 2004, inclusive, provided that (i) the Executive Board of the IMF and Ethiopia complete before March 31, 2003 a third year arrangement under the PRGF with Ethiopia and (ii) Ethiopia has made all payments that are due to the Participating Creditor Countries in accordance with the terms of the Minute.
4. Ethiopia agrees to grant the United States treatment on terms no less favorable than that which it has accorded, or which it may accord, to any other creditor country or its agencies for the consolidation of debts of comparable maturities as stipulated in the Minute.
5. Ethiopia will seek to secure from external creditors, including banks and suppliers, reduction or refinancing arrangements on terms comparable to those set forth in the Minute for credits of comparable maturities making sure to avoid unequal treatment among different categories of creditors.
6. Ethiopia agrees to pay all Consolidated ODA and Additional Interest, if any, to the United States, in United States dollars, without any deductions for taxes, fees or other public charges or any other costs accruing inside or outside Ethiopia.
7. All terms of the Contracts remain in full force and effect, except as they may be modified by this Agreement.
8. With respect to amounts owing to USAID under this Agreement, Ethiopia (referred to as the "Government" in Annex C hereto) agrees to the additional terms and conditions set forth in Annex C.

Article V

Subsequent Debt Reduction

1. If Ethiopia maintains satisfactory financial relations with the Participating Creditor Countries, fully implements all external debt agreements signed with them, maintains a sound adjustment track record, and the Boards of the IMF and the World Bank decide that Ethiopia has reached its Completion Point under the enhanced Debt Initiative for the Heavily Indebted Poor Countries, the United States agrees, in principle, to participate in a Paris Club meeting convened for the purpose of considering treatment of Ethiopia's stock of debt. The United States agrees, in the context of equitable burden sharing among creditors, to take such actions as it deems appropriate to enable Ethiopia to reach its debt sustainability objective.

2. The United States agrees, in principle, to cancel 100 percent of the principal outstanding under the Contracts, as modified by this Agreement, if the Participating Creditor Countries convene a meeting to discuss the treatment of Ethiopia's stock of debt and agree, in principle, at that meeting to reduce Ethiopia's stock of debt.

3. If, the Executive Board of the IMF approves an appropriate follow on arrangement and Ethiopia maintains satisfactory relations with Participating Creditor Countries, the United States agrees, in principle, to cancel 100 percent of Ethiopia's principal and interest falling due during the interim period is agreed to at the Paris Club.

ARTICLE VI

Suspension or Termination

1. The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Ethiopia.
2. This Agreement may be amended or modified by mutual consent of the United States and Ethiopia.

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ARTICLE VII

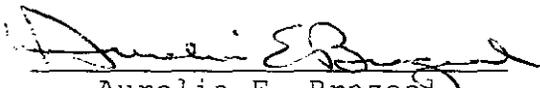
Entry into Force

This Agreement shall enter into force following signature of the Agreement and receipt by Ethiopia of written notice from the United States that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled. Upon its entry into force, the Agreement will supersede and replace the bilateral debt restructuring agreement concluded between the United States and Ethiopia on December 17, 2001.

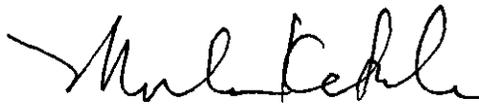
Done at Addis Ababa, Ethiopia in the English language, this 28th day of January, 2003.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

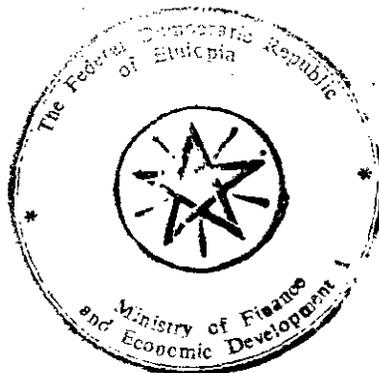
FOR THE GOVERNMENT OF
THE FEDERAL DEMOCRATIC
REPUBLIC OF ETHIOPIA:



Aurelia E. Brazee
Ambassador



Dr. Mulu Ketsela
State Minister, Ministry of
Finance and Economic
Development



Annex A
Contracts Subject to Reduction

USDA
Loan Numbers

5/3/93
10/9/97

USAID
Loan Numbers

663H007	663H020
663H009	663H021
663H009A	663H022
663H011 A	663H023
663H012 A	663T024
663H013	663U025
663H013A	663-H-026R
663H013B	663-T-027R
663H013C	663-U-028R
663H014	663-H-029R
663H015	663-T-030R
663H016	663-U-031R
663H017	663-H-032R
663H017A	663-T-033R
663H019	663-U-034R
663H019A	663-X-035R

Annex B1

Summary of Consolidated ODA Debt and Consolidated ODA Arrears
(thousands of US dollars)

PL-480 Credits	\$ 35
USAID	\$17,237
Total	\$17,272

Annex B2

Summary of Consolidated ODA Debt and Consolidated ODA Arrears
(thousands of US dollars)

PL-480 Credits	\$ 70
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USAID	\$23,184
Total	\$23,254

Annex B3

Summary of Consolidated ODA Debt and Consolidated ODA Arrears
(thousands of US dollars)

PL-480 Credits	\$ 105
USAID	\$29,130
Total	\$29,235

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Annex C

Additional Terms and Conditions with Respect
to Amounts Owing to USAID

A. TERMS AND CONDITIONS OF PAYMENTS

1. Payments. The Government agrees to pay amounts owing to USAID in accordance with the terms and conditions of this Agreement, including this Annex.
2. Funds and Place of Payment. All payments made to USAID by the Government under this Agreement shall be made in United States dollars via electronic funds transfer to the Federal Reserve Bank, 33 Liberty Street, New York, New York 10045. Payment instructions to the Federal Reserve Bank should read:

BNF-/AC-72000001 OBI=(Pay US
Dollars _____
Principal _____ Interest _____
Loan Number _____)

3. Application of Payments. To the extent a payment by the Government is insufficient to satisfy the aggregate amount of principal and interest due, such payment shall be applied first to interest then due, with the remainder, if any, applied to the principal amount of the installment.
4. Prepayments. Any prepayments made pursuant to Article IV that may be applied to installments of principal shall be applied in the inverse order of their maturity if the reduced amounts relate to direct loans.
5. Payments due on non-business days. In the event that a payment is due on a day when the Federal Reserve Bank of New York is closed for business, the payment shall be made on the next succeeding business day. This extension of time shall be included in computing the interest on such payment and excluded from the following interest period, if any.

B. INTEREST

1. Computation of Interest. Interest shall be computed on the basis of the outstanding balance of the loan times the

interest rate (annual interest) and dividing by the number of payments per year.

C. GENERAL PROVISIONS

1. Adjustments. Following the execution of this Agreement, USAID shall inform the Government of the actual amounts to be reduced hereunder, provide a repayment schedule of those amounts, and notify the Government of the actual applicable interest rate(s). The parties hereto agree to make any necessary adjustments to the amounts being reduced under this Agreement and such amounts may be further adjusted, from time to time, as the parties may mutually agree.
2. Future consolidations. If the terms of this Agreement provide for the consolidation period to be extended beyond the initial consolidation period, and provided conditions contained in the Agreement are met, USAID will manage each extended period as a separate loan and identify it with a separate loan number and interest rate. Following notification that the conditions have been met, USAID will inform the Government of the actual amounts to be reduced under that consolidation, provide a repayment schedule of those amounts, and notify the Government of the applicable interest rate(s).
3. Communications. All communications between the Government and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to the Government shall be addressed as the Government may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief
Office of Financial Management,
Loan Management Division (FM/LM)
USAID
1300 Pennsylvania Avenue, N.W.
Room 2.10.B56
Washington, D.C. 20523
Fax: (202) 216-3541

USAID may change this designated address upon written notice to the Government.

4. Authorized Representatives. The Government shall designate in writing duly authorized representatives permitted to perform any and all actions required under this Agreement and may change its designated representatives by written notice to USAID. USAID may accept the signature of such representatives on any instrument as conclusive evidence that any such action effected by such instrument is authorized by the Government until receipt of written notice of revocation of their authority.

5. a. Event of Default. The failure by the Government to make full payment of any installment when due under this Agreement shall be deemed to be an event of default. Upon the occurrence of an event of default, USAID, at its option, may declare all or any part of unpaid principal and all accrued interest thereon to be due and payable immediately. If the Government pays the defaulted installment, including any Additional Interest which has accrued thereon, within sixty (60) days of the any such declaration, the declaration of an Event of Default will be deemed to have been rescinded.

b. Waivers of Default. No delay in exercising, or omission to exercise, any right accruing to USAID under this Agreement shall be construed as an acquiescence or waiver by USAID of any such right.

6. Notification and Confirmation. USAID will, to the maximum extent practicable, notify the Government of payments due at least thirty (30) days prior to the due date of each payment. Failure to provide such notice, however, does not excuse failure to make payment when due.

7. Governing Law. Those debts owed to USAID in Annex A of this Agreement will be governed by and construed in accordance with the laws of the District of Columbia, United States of America.

8. Expenses. The Government shall reimburse USAID, upon demand, for all reasonable and documented expenses (including legal fees) incurred by or charged to USAID in connection with or arising out of enforcement of this Agreement due to default by the GOE.

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