Sovereign Debt News Update No. 172: Ethiopia's Sequential Debt Agreements with France and China, and the Enduring Limits of the G20 Common Framework

By:

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Ethiopia's sovereign debt crisis has been one of the most closely followed cases under the G20 Common Framework, reflecting both the false promises and the deep structural limitations of the current global debt architecture. Since formally requesting debt treatment in early 2021 under the G20 Common Framework, Ethiopia has faced a protracted and uncertain restructuring five year-process marked by delays, creditor coordination challenges, and mounting economic pressures. The country's economic vulnerabilities have been exacerbated by conflict, foreign exchange shortages, inflationary pressures, and declining investor confidence. Against this backdrop, the announcement on 3 April 2026 that Ethiopia had reached a debt treatment resolution with China

represents a significant development, not only for Ethiopia's restructuring process but also for broader debates on the effectiveness (or lack thereof) of the Common Framework. This update examines the details of the agreement, situates it within Ethiopia's broader debt trajectory, and critically assesses what it reveals about the evolving global debt restructuring regime.

Background

Ethiopia's decision to seek debt relief under the G20 Common Framework in February 2021 was driven by rising external debt vulnerabilities and increasing liquidity constraints. At the time, the country's external debt stood at approximately $28 billion, with a significant portion owed to bilateral creditors, particularly China. Ethiopia's participation in the G20 Debt Service Suspension Initiative (DSSI) provided temporary relief, but it quickly became clear that deeper restructuring would be required. However, the transition from the DSSI to the Common Framework exposed institutional weaknesses in creditor coordination and procedural clarity.

Ethiopia's case has since been emblematic of the slow pace of the Framework, as negotiations dragged on for over 5 years without a comprehensive resolution. This delay has had tangible economic consequences, including prolonged uncertainty for investors and constrained access to international capital markets. Against this backdrop, Ethiopia's subsequent bilateral agreements with France and China mark important, though partial, steps in operationalising the Common Framework and illustrate the fragmented path toward debt resolution.

The France Agreement

On 11 February 2026, Ethiopia and France signed what has been described as the first bilateral debt restructuring agreement under the G20 Common Framework, marking a critical step in translating the July 2025 Memorandum of Understanding with the Official Creditor Committee into concrete action. The 2026 agreement, concluded with France as a member of the Paris Club, operationalises Ethiopia's debt treatment commitments and signals the beginning of what is expected to be a long sequence of creditor-by-creditor negotiations.

According to reports, the deal forms part of a broader restructuring package covering approximately US$3.5 billion in official debt, as agreed at the committee level in 2025. Ethiopian authorities welcomed the agreement as a milestone in restoring debt sustainability, while observers noted that its significance lies less in its scale and more in its precedent-setting nature as the first of many required bilateral arrangements. Crucially, the France agreement underscores the fragmented structure of the Common Framework, where collective agreements must still be implemented individually, often prolonging uncertainty and delaying comprehensive resolution.

The China Agreement

On 3 April 2026, Ethiopian authorities announced that they had reached an agreement with China regarding debt treatment, marking a key milestone in the restructuring process. According to one source, high-level delegations from Addis Ababa and Beijing held a series of meetings that included officials from China's Exim Bank, policy banks and export-credit insurance agencies. While full details of the agreement have not been publicly disclosed, officials indicated that the resolution aligns with the principles of the Common Framework and is expected to ease Ethiopia’s debt servicing burden. China, as Ethiopia’s largest bilateral creditor, has played a central role in the negotiations, and its agreement is widely seen as a prerequisite for broader creditor coordination.

According to official statements, the deal provides a pathway toward finalizing a comprehensive restructuring package involving other creditors, including private bondholders. The Ethiopian government framed the agreement as a “*significant breakthrough*,” emphasizing its importance for restoring debt sustainability and supporting ongoing economic reforms. In addition, the ministers from both countries explored new financing opportunities for priority infrastructure projects, including the Bishoftu International Airport, which is expected to enhance connectivity and strengthen trade links between China, Africa, and global markets.

Fragmentation, Delays, and the Illusion of Resolution under the Common Framework

Ethiopia’s experience under the G20 Common Framework exposes deep structural weaknesses in the global debt restructuring architecture, particularly its fragmentation, protracted timelines, and susceptibility to premature narratives of success. Having formally requested treatment in early 2021, Ethiopia has endured over five years of negotiations without reaching a comprehensive resolution, highlighting the Framework’s inability to deliver timely relief to countries in distress. The sequence of developments, from the July 2025 Memorandum of Understanding to the February 2026 agreement with France and the April 2026 understanding with China, illustrates a piecemeal approach in which progress is achieved incrementally rather than holistically. Each bilateral agreement, while necessary, reinforces the creditor-by-creditor nature of the process, delaying finality and prolonging uncertainty. Moreover, the emphasis on individual agreements risks creating the impression of resolution where none yet exists, particularly as negotiations with private creditors, including Eurobond holders, remain unresolved and contentious.

This fragmentation is further compounded by unresolved tensions with private creditors, particularly in relation to Ethiopia’s defaulted $1 billion Eurobond. As such, Ethiopia is facing legal challenges from bondholders over a stalled $1 billion Eurobond restructuring. A preliminary restructuring agreement reached in January 2026, which included a proposed haircut and the issuance of a new bond alongside a value recovery instrument linked to exports, ultimately collapsed after rejection by official creditors on the basis that it violated the comparability of treatment principle. In response, a committee representing a significant proportion of bondholders indicated that it had “no other option” but to consider legal action in English courts, raising the spectre of litigation and further delays in the restructuring process.

This dispute highlights the absence of effective mechanisms within the Common Framework to reconcile competing creditor interests, particularly between official and private lenders, and underscores the risk that creditor coordination failures can derail progress even after years of negotiation. The disjointed structure and ad hoc system raise serious concerns about comparability of treatment, transparency, and the equitable distribution of losses among creditors. Ethiopia’s case therefore demonstrates that even after years of engagement and multiple agreements, the Common Framework remains ill-equipped to provide swift, coordinated, and comprehensive debt

relief, leaving debtor countries trapped in extended cycles of negotiation and vulnerability.

Implications for Private Creditors and Market Access

The agreement with particularly China is expected to have significant implications for Ethiopia's negotiations with private creditors, particularly holders of its Eurobonds. Under the Common Framework, Ethiopia is required to seek comparable treatment from all creditors, including private investors. The resolution with China may therefore serve as a benchmark for these negotiations, influencing the terms offered to bondholders. However, achieving consensus among diverse creditor groups remains a complex and uncertain process. Market participants will be closely monitoring the outcome, as it will shape Ethiopia's future access to international capital markets. The prolonged restructuring process has already affected investor confidence, and restoring credibility will require not only a comprehensive agreement but also sustained economic reforms.

Conclusion

These developments only represent a partial breakthrough amid structural constraints. Ethiopia's debt treatment agreement with both France and China represent a significant, albeit partial, breakthrough in a long and challenging restructuring process. While the deals provide a foundation for further progress, it also highlights the structural weaknesses of the current global debt architecture. The delays experienced by Ethiopia illustrate the urgent need for a more efficient, transparent, and equitable framework for sovereign debt restructuring. Without such reforms, countries facing debt distress may continue to endure prolonged periods of uncertainty, with adverse consequences for economic stability and development. Ultimately, Ethiopia's experience serves as both a cautionary tale and a call to action, underscoring the importance of addressing the systemic shortcomings that drive countries toward complex and often inadequate solutions in times of crisis.

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