



SOVEREIGN DEBT · IMF PROGRAMME ·  
CREDITOR DYNAMICS

**OFFICIAL CREDITORS**  
OCC MoU signed Jul 2025

**BILATERAL**  
France deal Feb 2026

**EUROBOND**  
\$1B; renegotiating terms

**IMF ECF**  
\$2.18B disbursed of \$3.4B

# THE RECKONING

## Five Years of Debt Restructuring: Where Ethiopia Stands Today

<p><b>\$28.8B</b>  <b>Total External Debt (2021)</b>  <i>52% of \$55B public debt stock</i></p>	<p><b>\$3.5B</b>  <b>OCC Debt Relief Agreed</b>  <i>Jul 2025 MoU; covers 8.4B</i></p>	<p><b>\$2.18B</b>  <b>IMF ECF Disbursed</b>  <i>Of \$3.4B total; 4th review Jan 2026</i></p>	<p><b>\$1B</b>  <b>Eurobond Default</b>  <i>Dec 2023; renegotiating Jan 2026</i></p>
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## KEY INDICATORS AT A GLANCE

<b>50.3%</b> <b>Public Debt / GDP</b> <i>FY2024/25; projected 32% by FY29/30</i>	<b>\$3.5B</b> <b>OCC Debt Relief</b> <i>Agreed Jul 2025; bilaterals under way</i>	<b>\$2.18B</b> <b>IMF ECF Disbursed</b> <i>4th review completed Jan 16, 2026</i>	<b>\$1B</b> <b>Eurobond Outstanding</b> <i>In default Dec 2023; renegotiating</i>
<b>7.2%</b> <b>GDP Growth Forecast</b> <i>IMF projection; FY2025</i>	<b>&gt;3 months</b> <b>FX Reserves Target</b> <i>Import cover by FY2027/28</i>	<b>~15%</b> <b>FX Parallel Premium</b> <i>March 2025; down from peak</i>	<b>\$10.7B</b> <b>HGER Financing Need</b> <i>Home-Grown Reform Agenda total</i>

## 01 THE DEBT ARCHITECTURE

### Five Years In: How Ethiopia Got Here and Where It Stands

Ethiopia submitted its request for comprehensive debt restructuring under the G20 Common Framework in February 2021, after public debt had reached \$55 billion, equivalent to approximately 59% of GDP. Of this, \$28.8 billion (52%) was owed to external creditors. Five years on, the process is in its most active phase yet, with multiple tracks moving simultaneously.

- ▶ **DEBT STOCK** At the point of application in 2021, Ethiopia's external debt-to-export ratio stood at 204% of exports on a net present value basis, according to the IMF. This placed Ethiopia firmly in the unsustainable category under the joint IMF-World Bank Debt Sustainability Analysis framework, triggering the sequencing rules that have shaped every subsequent negotiation.
- ▶ **THREE CREDITOR TRACKS** Ethiopia's restructuring operates across three distinct creditor groups, each with different interests, leverage, and timelines: the Official Creditor Committee (OCC) of bilateral government lenders co-chaired by China and France; the IMF and multilateral institutions providing programme financing; and private bondholders holding the \$1 billion Eurobond that matured and defaulted in late 2023.
- ▶ **REFORM ANCHOR** The \$3.4 billion IMF Extended Credit Facility, approved in July 2024 over 48 months, is the central reform anchor. It conditions disbursements on performance against the Homegrown Economic Reform Agenda (HGER), which requires \$10.7 billion in total financing. The ECF provides the policy framework within which all creditor negotiations must ultimately align.
- ▶ **DEBT TRAJECTORY** Under the IMF baseline, public debt is projected to decline from 50.3% of GDP in FY 2024/25 to approximately 32% of GDP by FY 2029/30, conditional on continued reforms and successful completion of debt treatment across all three creditor tracks.

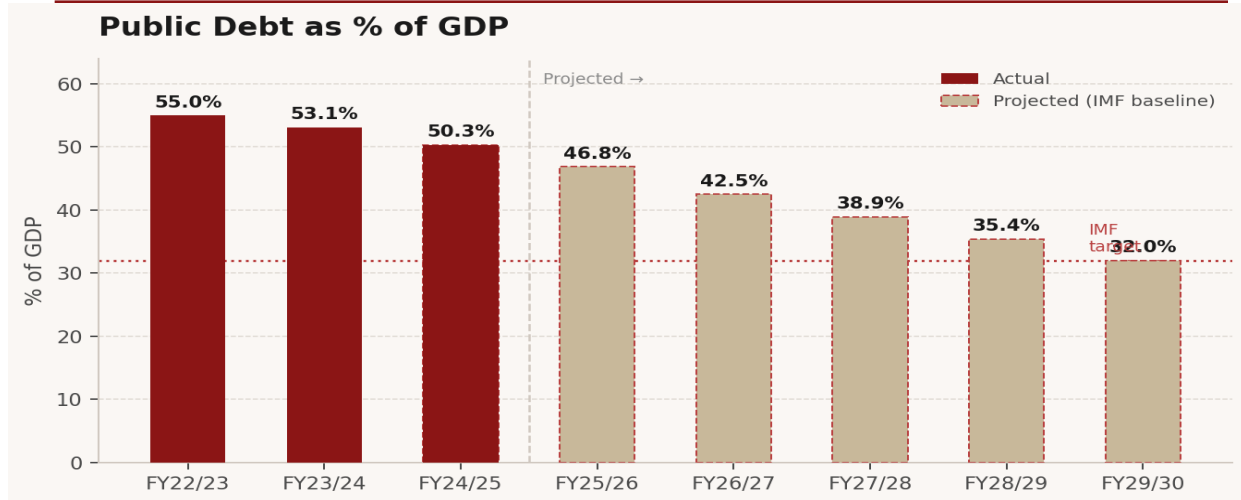


Figure 1: Public Debt as % of GDP — Actual (FY22/23–FY24/25) and IMF Baseline Projection (FY25/26–FY29/30) | Sources: IMF ECF Fourth Review 2026

**DEBT RESTRUCTURING TIMELINE | FEBRUARY 2021 TO PRESENT**

DATE	MILESTONE	DETAIL	SIGNIFICANCE
Feb 2021	Ethiopia applies	G20 Common Framework application submitted	Five-year process begins
Dec 2023	Eurobond default	Missed coupon on \$1B 6.625% Notes due 2024	Default triggers IMF sequencing rules
Jul 2024	IMF ECF approved	\$3.4B Extended Credit Facility; 48 months	Reform anchor secured; disbursements begin
Mar 2025	OCC Agreement in Principle	\$8.4B covered; \$2.5B service relief to 2028	Official creditors aligned
Jul 2025	OCC MoU signed	Memorandum formalises \$3.5B debt treatment	Bilateral agreements to follow
Jan 2, 2026	Eurobond AIP reached	Ad Hoc Committee; 15% haircut proposed	OCC comparability review triggered
Jan 16, 2026	IMF 4th review complete	\$261M disbursed; total \$2.18B released	All QPCs met; reform on track
Jan 29, 2026	OCC rejects Eurobond AIP	Terms found non-compliant with Comparability of Treatment	Renegotiation required
Feb 11, 2026	France bilateral signed	First OCC bilateral; €81.5M new financing	Process template established
Mid-2026	Target completion	Government targets full restructuring conclusion	Private creditor deal remains open

**02 THE IMF PROGRAMME: PERFORMANCE AND PRESSURES**

**Better Than Expected: What the Fourth Review Found**

The IMF completed the fourth review of Ethiopia's ECF on January 16, 2026, approving a \$261 million disbursement and noting macroeconomic outcomes that have exceeded programme expectations. The review is a significant endorsement of the reform trajectory, but it also flagged persistent structural pressures that investors should monitor.

- ▶ **FOURTH REVIEW OUTCOME** All quantitative performance criteria (QPCs) were met, and most indicative targets achieved. IMF Deputy MD Nigel Clarke stated that Ethiopia's Homegrown Economic Reform Programme is 'nothing short of impressive,' citing dramatic improvements in major macroeconomic variables. The \$261 million disbursement brings total ECF releases to approximately \$2.18 billion of the \$3.4 billion facility.
- ▶ **MACROECONOMIC OUTPERFORMANCE** The IMF cited stronger-than-anticipated performance on: GDP growth (projected at 7.2% for FY2025), export revenue (coffee and gold surge), inflation (declining from 30%+ peaks), and international reserves accumulation. FX reserves, which stood at just 0.7 months of import cover in FY 2023/24, are projected to exceed 3 months of cover by FY 2027/28.
- ▶ **FX MARKET PROGRESS** The July 2024 FX liberalisation has improved transparency and interbank transaction volumes. However, the IMF's fourth review noted that parallel market premiums rose to approximately 15% in March 2025 after briefly falling below 5% in September 2024. Persistent queuing, high transaction fees, and continued parallel market reliance indicate that structural distortions remain. A new quantitative performance criterion setting a zero limit on FX intervention except through auctions has been introduced.
- ▶ **FISCAL PRESSURE** The Federal Budget for FY 2025/26 deviated from programme parameters, reflecting tensions between reform commitments and spending demands. The IMF's fiscal strategy calls for: phasing out fuel subsidies (saving 0.5% of GDP per year from FY 2026/27); raising domestic financing from 1% to approximately 1.5% of GDP from FY 2026/27; and revenue mobilisation gains of around 0.3% of GDP from tax and customs administration reform.
- ▶ **DOMESTIC DEBT MANAGEMENT** Domestic debt management has improved. The average maturity of government domestic debt extended from approximately 11 to 13 years. Outstanding T-bills fell from 447.8 billion Birr to 272.2 billion Birr, largely through conversion of pension fund holdings into longer-term bonds. The stock of 5-year Treasury bonds rose from 115.1 to 190.5 billion Birr.

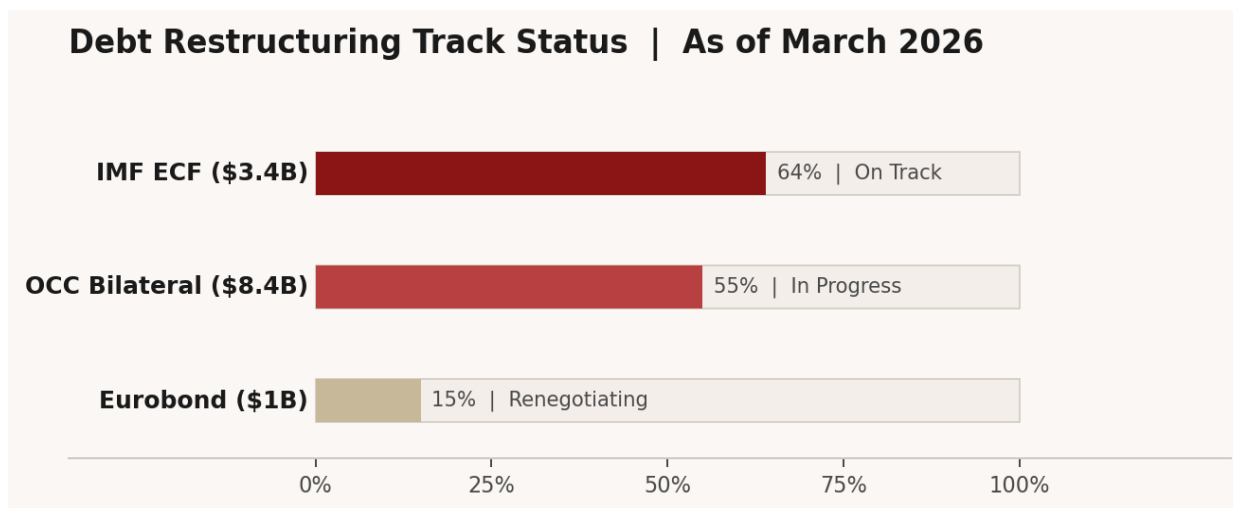


Figure 2: Debt Restructuring Track Status — As of March 2026 | Sources: IMF, Ministry of Finance Ethiopia, Ecofin Agency

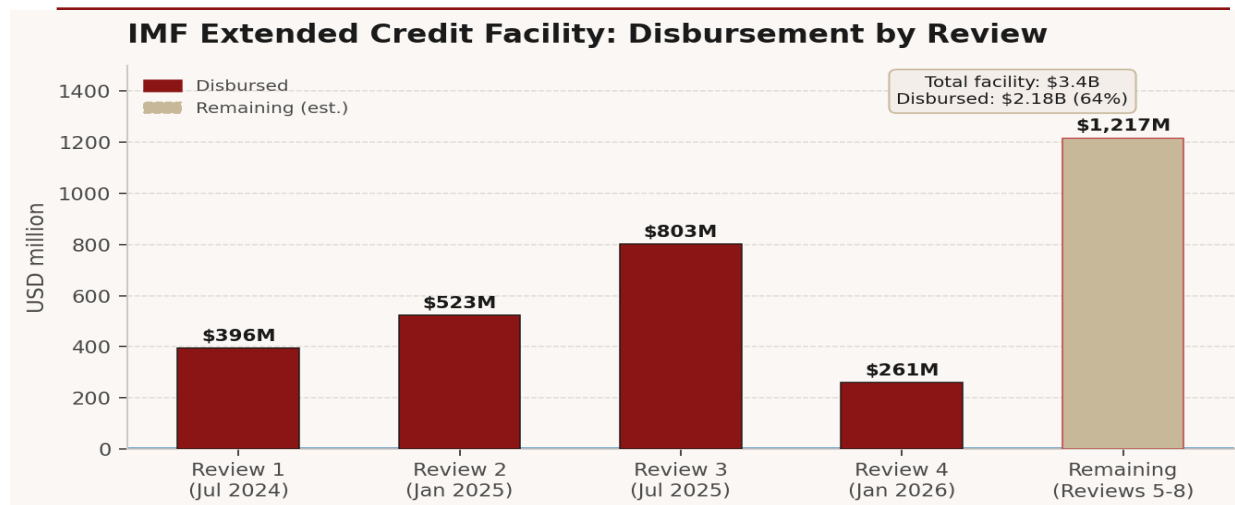


Figure 3: IMF ECF Disbursements by Review — USD million | Sources: IMF Press Release PR 26/009, IMF Country Report 2026/020

### IMF SIGNAL

The IMF's fourth review is a material positive for Ethiopia's investment narrative. Meeting all QPCs and receiving an IMF commendation for reform performance strengthens Ethiopia's credibility with both bilateral and private creditors. For international investors, IMF programme continuity is the single most important signal of macroeconomic stability.

## 03 OFFICIAL CREDITORS: PROGRESS ON THE OCC TRACK

### The Bilateral Channel Opens: France Sets the Template

The July 2025 OCC Memorandum of Understanding covering \$3.5 billion in debt treatment was the breakthrough moment for the official creditor track. The February 2026 France bilateral agreement is the first to translate that MoU into a binding deal, establishing the template for remaining OCC member agreements.

- ▶ **OCC MOU** The July 2025 Memorandum of Understanding between Ethiopia and its Official Creditor Committee, co-chaired by China and France, formalises debt treatment for approximately \$8.4 billion in bilateral debt, providing \$2.5 billion in debt service relief through 2028. The MoU was a condition precedent for the IMF's fourth review disbursement.
- ▶ **FRANCE BILATERAL** On February 11, 2026, Ethiopia and France signed the first binding bilateral debt restructuring agreement under the G20 Common Framework. Ethiopian Finance Minister Ahmed Shide and French Minister Eleonore Caroit signed in Addis Ababa. The deal includes new financing of EUR 81.5 million: EUR 80 million in budget support and EUR 1.5 million in technical assistance, adding to a prior EUR 100 million contribution. Total Ethio-French partnership commitments now exceed EUR 600 million, with over EUR 300 million directed to the energy sector.
- ▶ **CHINA'S ROLE** China co-chairs the OCC alongside France and holds a significant share of Ethiopia's bilateral debt, primarily through policy bank lending for infrastructure projects including the Ethio-Djibouti Railway. China's participation in the MoU is structurally essential: without Chinese alignment on debt treatment terms, the Comparability of Treatment principle cannot be satisfied across the creditor group.

- ▶ **REMAINING BILATERALS** The France agreement establishes the financial and legal template for remaining OCC bilateral agreements. Finance Minister Ahmed Shide has stated the government targets conclusion of the full restructuring process by mid-2026. The pace of remaining bilaterals will determine whether that timeline holds.

### External Debt Composition | ~\$28.8B Total (2021 baseline)

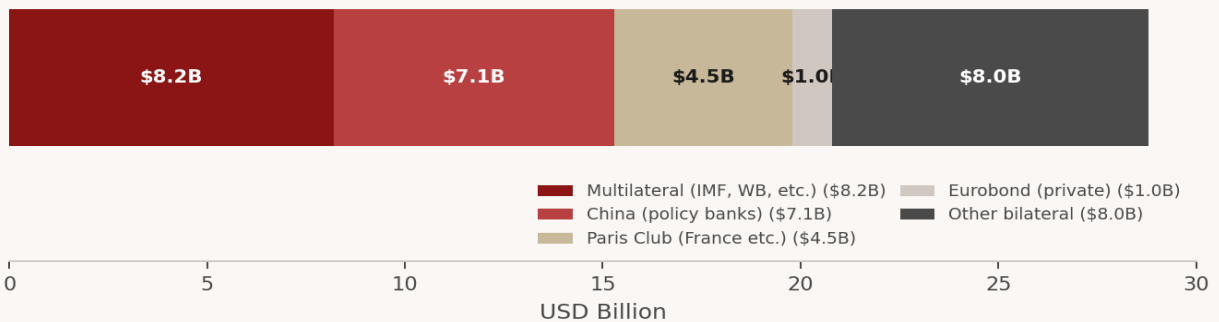


Figure 4: Ethiopia External Debt Composition — Approx. \$28.8B at restructuring application (2021) | Sources: IMF, UNDP Working Paper 2025, Addis Standard

- ▶ **WHAT RELIEF MEANS IN PRACTICE** For Ethiopia's fiscal position, the \$2.5 billion in debt service relief through 2028 frees approximately \$800-900 million per year in cash flow that would otherwise be directed to external debt service. This directly expands the fiscal space available for capital expenditure, social safety net programmes, and the HGER reform agenda.

## 04 THE EUROBOND: THE UNRESOLVED TRACK

### Private Creditors and the Comparability Standoff

Ethiopia's \$1 billion 6.625% Eurobond matured in December 2023 and has been in default since the government missed a coupon payment. Restructuring the bond requires satisfying the Comparability of Treatment principle, which mandates that private creditors accept terms at least as concessional as those extended by official bilateral lenders. This requirement has created a structurally difficult negotiation.

- ▶ **JANUARY AIP** On January 2, 2026, Ethiopia reached an Agreement in Principle (AIP) with an Ad Hoc Committee representing more than 45% of the Eurobond. Under the proposed terms, bondholders accepted a 15% haircut on the \$1 billion principal, leaving approximately \$850 million to be repaid in new bonds from 2026, with an upfront payment of \$350 million expected by July 2026.
- ▶ **OCC REJECTION** On January 29, 2026, Ethiopia's Ministry of Finance announced that the OCC assessed the AIP as non-compliant with the Comparability of Treatment principle. The OCC determined that the relief offered to private creditors was 'significantly lower' than the concessional terms already agreed with bilateral lenders. As a result, Ethiopia must renegotiate with the Ad Hoc Committee.
- ▶ **WHAT RENEGOTIATION MEANS** Future terms for bondholders will likely require deeper concessions: a higher principal haircut above 15%, lower coupon rates on the replacement bond, and longer repayment periods. For bondholders, many of whom have been holding since the bond fell to approximately 50 cents on the dollar in mid-2022, a deeper haircut further reduces recovery value.

- ▶ **IMF SEQUENCING RISK** Ethiopia cannot draw full IMF programme benefits until all creditor groups provide financing assurances. The Eurobond impasse creates a sequencing risk: if private creditor negotiations stall beyond mid-2026, it could delay the finalisation of the reform programme and the release of remaining ECF tranches. The IMF's fourth review noted that 'discussions with private external creditors are ongoing.'
- ▶ **BONDHOLDER POSITION** In February 2025, Eurobond holders had accused the IMF of exaggerating Ethiopia's financial challenges to advocate for deeper debt relief. They argued Ethiopia's economy was recovering, citing coffee export performance, and alleged the IMF's solvency analysis was flawed. This framing positions bondholders to resist steep haircuts in renegotiation.

**INVESTOR NOTE**

The Eurobond renegotiation is the single most important near-term risk factor for Ethiopia's credit profile. A successful conclusion would restore market access, reduce borrowing costs, and signal that the full restructuring process is on track. Prolonged impasse would constrain fiscal flexibility and delay the macro benefits of the OCC debt relief. Investors tracking Ethiopia's sovereign credit should monitor Ministry of Finance communications on the revised bondholder terms closely.

**05 WHAT SUCCESSFUL RESTRUCTURING UNLOCKS**

**From Debt Distress to Investment Grade: The Medium-Term Pathway**

Debt restructuring is not merely a sovereign financing exercise. For Ethiopia's private sector and international investors, the successful conclusion of all three creditor tracks would unlock a series of downstream economic benefits that directly improve the investment operating environment.

- ▶ **FISCAL SPACE** The \$2.5 billion in debt service relief through 2028 translates directly into fiscal space for capital expenditure. The HGER requires \$10.7 billion in financing; the OCC deal, IMF ECF, and bilateral support together cover a significant portion of that requirement, reducing the government's need to crowd out private credit through domestic borrowing.
- ▶ **FX RESERVES** IMF projections show FX reserves recovering from 0.7 months of import cover in FY 2023/24 to over 3 months by FY 2027/28. Reaching the 3-month threshold is the standard benchmark for adequate reserve cover and is closely watched by international investors and rating agencies as a signal of external stability.

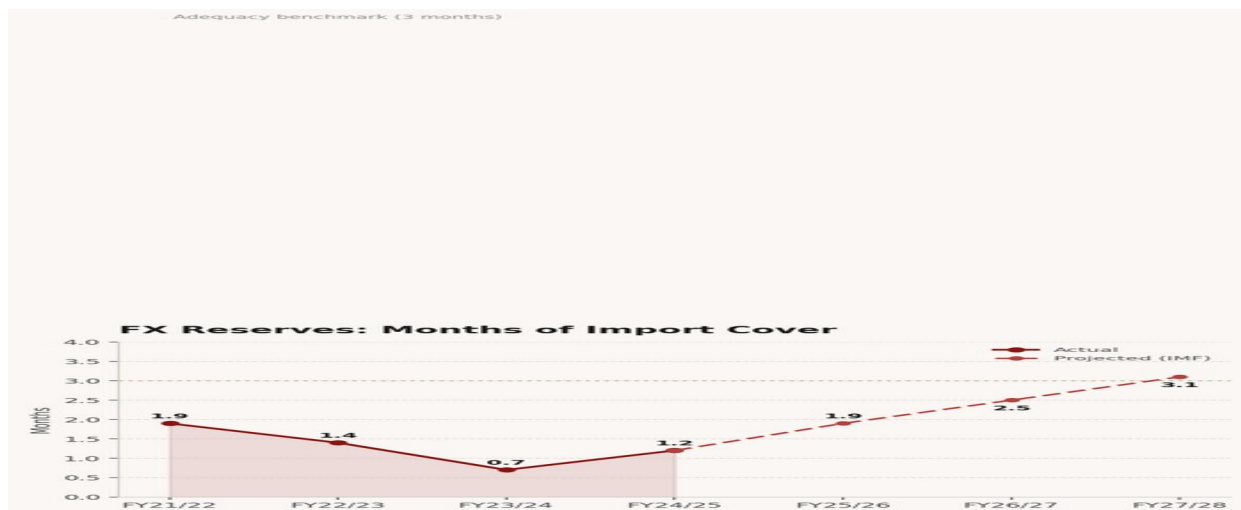


Figure 5: FX Reserves — Months of Import Cover: Actual and IMF Projection to FY2027/28 | Sources: IMF ECF Fourth Review 2026, UNDP Quarterly Economic Profile

- ▶ **MARKET ACCESS** A completed Eurobond restructuring, combined with continued IMF programme performance, would position Ethiopia to re-access international capital markets. Initial re-entry would likely be at higher spreads, but the trajectory toward a sub-investment-grade rated bond is achievable within the IMF's medium-term projections if reform momentum is sustained.
- ▶ **PRIVATE SECTOR LENDING** As the parallel FX market premium narrows and reserves build, domestic lending conditions for private businesses improve. The conversion of NBE direct advances into long-term government bonds reduces monetary financing and creates space for commercial bank lending to shift toward the private sector.
- ▶ **RATING TRAJECTORY** Public debt declining from 50.3% of GDP to approximately 32% by FY 2029/30 represents a significant deleveraging trajectory. If achieved, it would support a material improvement in Ethiopia's sovereign credit rating and reduce the cost of external borrowing for both the government and state-owned enterprises.
- ▶ **HGER COMPLETION** The HGER agenda covers FX market reform, monetary policy modernisation, fiscal revenue mobilisation, and financial regulatory reform. The IMF's fourth review confirmed that most structural benchmarks have been met. Completing the agenda over the remaining ECF period to 2028 is the prerequisite for sustained private-sector-led growth.

## EDITOR'S OUTLOOK

### THE BOTTOM LINE

Ethiopia's debt restructuring is, by the standards of the G20 Common Framework, making tangible progress. The OCC MoU is signed. France has set the bilateral template. The IMF's fourth review delivered a clean bill of health on reform performance. These are not small achievements for a country that entered the Common Framework five years ago with an unsustainable debt profile and a 204% external debt-to-export ratio.

The unresolved piece is the Eurobond. The January AIP's rejection by the OCC on Comparability of Treatment grounds means renegotiation is required, likely with deeper concessions for bondholders than the initial deal offered. Finance Minister Ahmed Shide has committed to a mid-2026 conclusion across all tracks. That timeline is tight but not impossible. For investors monitoring Ethiopia's sovereign credit trajectory, three milestones define the watch list: the revised Eurobond terms; the pace of remaining OCC bilateral agreements following the France template; and whether the IMF's fifth review, due later in 2026, continues the track record of QPCs met.

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Sources: IMF ECF Fourth Review (Country Report 2026/020), IMF Press Release PR 26/009, Addis Standard, Capital Ethiopia, Ecofin Agency, Fana Broadcasting Corporate, IFA Ethiopia, StockMarket.et, Africa News Agency, UNDP Working Paper Series No. 6 (2025), Debt Justice UK, Bloomberg, Ministry of Finance Ethiopia | Published March 23, 2026