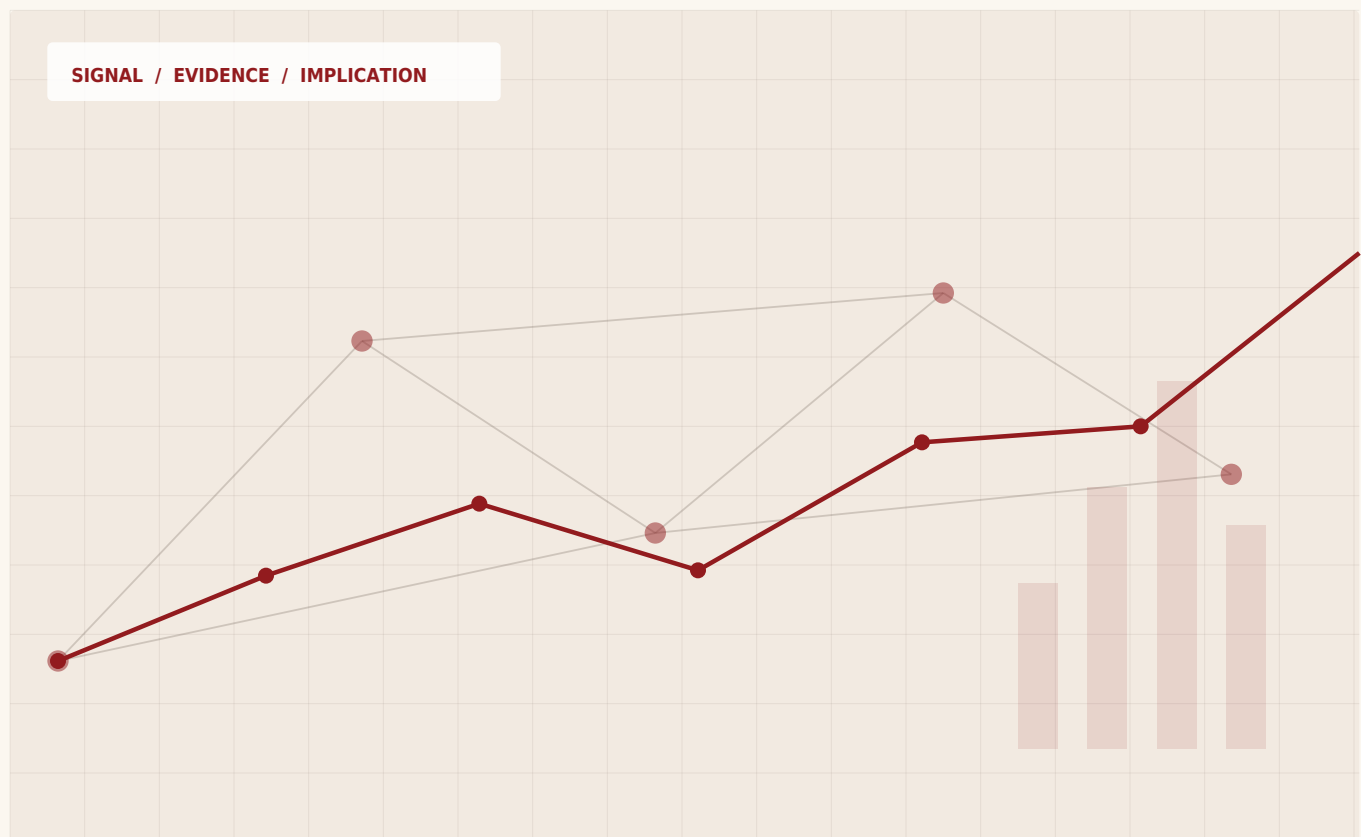




Sugar's Reset

Ethiopia's Fourth Attempt at Privatization



01

THE NUMBERS BEHIND THE FOURTH ATTEMPT

Ethiopia's state sugar estates have now failed to privatize three times since 2018. In July 2026, the government tried something it had not tried before: assuming half the sector's foreign debt before attempting a fourth sale, rather than after.

3 Failed privatization attempts for Ethiopia's state sugar estates since 2018 <i>EIH parliamentary testimony; Nov 2025</i>	ETB 144B Sugar Industry Group's foreign debt (~\$2.1B), now half-assumed by government <i>EIH; Capital Newspaper; Jul 2026</i>	\$286.87M Ethiopia's annual sugar import bill, the FX cost of capacity still not built <i>UN Comtrade; 2023</i>	90% Share of birr-denominated SOE debt held by three loss-making enterprises, sugar among them <i>IMF; Ministry of Finance; FY2022/23</i>
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DATA INTEGRITY NOTE: Ethiopian Sugar Industry Group financials are reported on Ethiopia's government fiscal year (Hamle 1 to Sene 30; July to July), not the Ethiopian calendar year. Loss figures cited (FY2021/22, FY2022/23) are the most recently audited and disclosed to Parliament as of this writing; more recent unaudited figures were not available from a named source at time of publication.

02

TWO FINDINGS THAT DEFINE THE TEST

FOUR ATTEMPTS, ONE PATTERN

Ethiopia has tried to privatize its state sugar estates in 2018 (a request for information that went nowhere), 2020 (an eight-estate tender that fell flat amid conflict), and 2023 to 2025 (an open tender that drew roughly 20 investors before bids came in below reserve prices and valuation rules were found outdated). Ethiopian Investment Holdings told Parliament in November 2025 that the process had halted again, even under direct negotiation. Three attempts, one outcome.

THE MODEL NOT YET TRIED

Kenya faced a near-identical problem: loss-making state sugar mills, decades of bailouts, and repeated privatization false starts. Its fix was not a sale. The government wrote off roughly KSh117 billion in historical mill debt and leased four factories to private operators for 30 years. Sugarcane deliveries that had fallen 24.5% in 2025 are recovering sharply in 2026. Ethiopia's July 2026 debt relief addresses the same root cause Kenya identified, but Ethiopia is still aiming for an outright sale, not a lease.

03

SIX MORE FACTS ON THE RECORD

- **A capital base that wasn't there:** An audit found a 10 billion birr deficit in the Sugar Industry Group's reported capital, forcing the board to cut paid-up capital from 115 to 105 billion birr and authorized capital by 30 billion to 420 billion birr in September 2025. (EIH; Sept 2025)
- **Ethiopia's most expensive unfinished asset:** The Omo Kuraz Sugar Development Project alone has consumed an estimated 65 billion birr and remains incomplete after more than a decade of construction. (The Reporter Ethiopia; Nov 2025)
- **Losses narrowing, not closed:** The Group's comprehensive losses fell from 22 billion birr in FY2021/22 to roughly 9.6 billion birr in FY2022/23, real improvement, but still a loss two years running. (The Reporter Ethiopia; Nov 2025)

- **A 2028 target already behind schedule:** The Group's own goal of meeting national sugar demand by 2028, on a path to roughly 730,000 tons a year by 2026/27, is unlikely to be met on current production trends. (The Reporter Ethiopia; Nov 2025)
- **A different route for other state assets:** While sugar struggles to attract a buyer, EIH has said insurance, shipping, and printing firms in its portfolio are exploring ESX listings instead, a partial, lighter-touch liberalization rather than an outright asset sale. (The Reporter Ethiopia; Feb 2025)
- **The pattern InfoPlate has now tracked twice:** As this edition's companion piece on Ethiopia's Eurobond restructuring showed, debt relief has repeatedly been the precondition for reform progress this year, not the reward for it. (InfoPlate, Ethiopia's Eurobond Restructuring; Jun 2026)

04

ANALYSIS: WHY THIS ATTEMPT MIGHT BE DIFFERENT, AND WHY IT MIGHT NOT

Four Attempts: A Timeline of a Deal That Won't Close

The pattern is now old enough to have a shape. 2018's request for information, launched immediately after the political transition, produced interest but no transaction. Late 2020's eight-estate tender collapsed under the weight of conflict and broader instability. The 2023-25 attempt went furthest: technical evaluations, roughly 20 domestic and international bidders, a target close date of end-2025 written into IMF programme documents. It still failed, on the same problem that sank the 2020 attempt in a different form: the assets were not worth what the government needed them to be worth, and no amount of process fixed that gap between asking price and offer.

Ethiopian Investment Holdings' own November 2025 admission to Parliament, that talks had halted because bids fell short even under direct negotiation, was an unusually candid moment of institutional accountability. It is also the moment that set up the pivot InfoPlate is tracking this edition.

The Debt-First Pivot: Why This Attempt Might Be Different

Every prior attempt tried to sell the estates first and deal with their financial condition as part of the transaction. July 2026's decision inverts that sequence: the government assumes roughly half of the Sugar Group's 144 billion birr foreign debt, on top of which the Group carries a further 110 billion birr in unsettled domestic loans, targets a positive EBITDA milestone, and only then commissions new asset valuations before restarting the sale process. This is a materially different theory of the problem. It says the estates have been chronically over-valued relative to their debt-adjusted worth, not that investors lack interest in Ethiopian sugar.

This is the same sequencing logic InfoPlate identified in Ethiopia's Eurobond restructuring: resolve the debt overhang first, because no counterparty will transact against an unresolved liability, however attractive the underlying asset. Whether that lesson transfers from sovereign bondholders to sugar-estate bidders is the open question this edition cannot yet answer, only flag as the thing to watch.

The Kenyan Alternative: Lease, Don't Sell

Kenya's sugar parastatals carried a nearly identical profile to Ethiopia's: chronic losses, unpayable legacy debt, and a state unable to attract a buyer willing to take on both the assets and their liabilities at once. Kenya's answer, a KSh117 billion debt write-off paired with 30-year operating leases to private millers (West Kenya Sugar Company for Nzoia, Kibos Sugar for Chemelil), separated the debt problem from the ownership problem entirely. The state kept the asset; a private operator took the operating risk. The result is measurable: after a 24.5%

fall in cane deliveries in 2025, deliveries in the first half of 2026 point to a recovery, with June's delivery the highest single month in seven years.

Ethiopia's July 2026 move borrows half of Kenya's playbook, the debt write-down, without the other half, the shift from sale to lease. For an investor or operator evaluating Ethiopia's sugar sector, that distinction matters: a lease structure would open a faster, lower-capital entry point than waiting for a fourth privatization tender to close.

What This Means for the Broader SOE Test

Sugar is the hardest version of a problem the IMF has flagged across Ethiopia's state enterprise portfolio: three loss-making SOEs, Ethiopian Electric Power, the Ethiopian Railway Corporation, and the Sugar Group, accounted for 90% of birr-denominated SOE debt at the end of FY2022/23. Sugar is the one furthest into a privatization process and the one that has failed most visibly, which makes it the leading indicator for the other two, not an isolated case. EIH's decision to route other SOEs, insurance, shipping, and printing firms, toward ESX listings rather than outright sale is itself a signal that the institution has learned something from sugar's repeated failure: a partial capital-markets listing has a lower bar to clear than finding a single buyer willing to take on an entire loss-making estate.

The investor-relevant read is not that Ethiopia's SOE reform has failed. It is that outright privatization by tender has failed specifically, three times, while lighter-touch mechanisms, ESX listings, leases, are untested here but working next door.

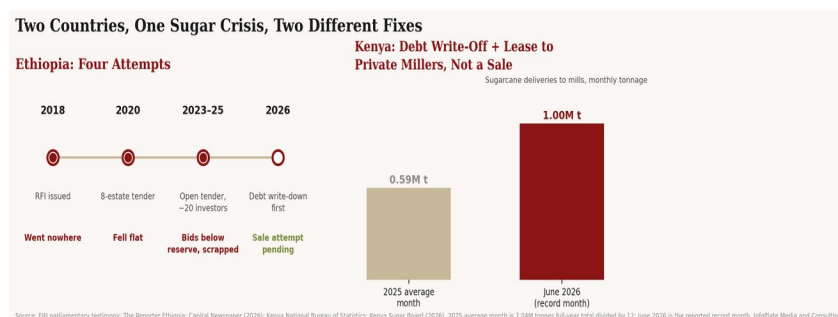


Figure 1: Ethiopia's four sugar privatization attempts against Kenya's debt-write-off-and-lease alternative. Source: EIH parliamentary testimony; The Reporter Ethiopia; Capital Newspaper; Kenya National Bureau of Statistics; Kenya Sugar Board (2026).

05

EDITOR'S OUTLOOK

Call this what it is: a fourth attempt, not a resolved reform. Ethiopia has learned, the hard way and in public, that an unresolved debt-and-valuation problem will sink a tender no matter how many investors show initial interest. Fixing that sequencing is a genuine improvement in institutional practice, InfoPlate said as much when Ethiopia's Eurobond restructuring finally moved past its own two-and-a-half-year stall. Whether it is sufficient is a different question, and one Ethiopia has not yet had to answer, because the new valuations this letter promises have not yet happened.

Watch three things into the rest of Ethiopian year 2019: whether EIH publishes a positive EBITDA milestone for the Sugar Group on the timeline the Finance Minister described, whether the new asset valuations, once complete, land close enough to reserve prices to avoid a fourth failed bid round, and whether Ethiopia considers a Kenyan-style lease structure as a fallback if the sale process stalls again. The AGOA and industrial-park jobs question is next on InfoPlate's calendar; sugar's answer on all three points will likely arrive first.

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