



ETHIOPIAN INTEGRATED SUSTAINABLE FINANCING FRAMEWORK (E-ISFF)



FROM FUNDING TO FINANCING: ETHIOPIA'S SUSTAINABLE FUTURE

OUR VISION: WHAT IS THE E-ISFF?

The E-ISFF is a framework that establishes a new national financing architecture through policy, regulatory, and institutional reforms towards a sustainable financing model.

Core Objective: To establish a new national financing architecture that fundamentally changes how we finance our development, ensuring Ethiopia transitions to a sustainable model to achieve the Sustainable Development Goals (SDGs) and the Ten-Year Development Plan (TYDP).

The Big Idea: A strategic pivot from dependency on external debt and public spending to a dynamic model that crowds in private and commercial capital where it can create the most value.

The framework underscores the imperative to transition towards a sustainable development financing approach. Through a 'right-financing' approach, new mechanisms and financial instruments will be deployed to crowd in commercial capital where it can add value.

- H.E. Ahmed Shide,
Minister of Finance

THE URGENT NEED: WHY NOW?

The SDG Gap



Under a 'Business-as-Usual' approach, Ethiopia will not achieve its key SDG targets until 2053. To meet SDG targets by 2030, an additional 19.1% of GDP is needed annually.

Tight Fiscal Space



Despite the recent recovery in tax-to-GDP ratio, the national tax-to-GDP ratio has declined, being less than half the Sub-Saharan African average of 15%, limiting the government's capacity to finance development.

The Debt Burden



In the past, over-reliance on debt-financed public investment has created significant debt accumulation and fiscal vulnerabilities.

THE CORE SHIFT

(From)
OLD MODEL



(To)
NEW ARCHITECTURE (E-ISFF)

- | | |
|--|---------------------------------------|
| Reliance on External Debt for public expenditure | Market-Based Solutions |
| State-Led Investment | Domestic & Foreign Investment |
| Humanitarian "Stop-Gap" Support | Long-Term Resilience (Nexus Approach) |

THE FRAMEWORK & THE ROADMAP

STRATEGIC PATHWAYS TO A SUSTAINABLE ECONOMY

The E-ISFF is transforming the Ethiopian Financing Architecture through a new way of thinking.

From	To
Traditional State Capitalism	Market-Based Solutions & Competitive Markets
External Debt Dependency	Domestic Resource, PPP & Thriving Capital Markets
Traditional Banking & Finance	Green, Digital & Inclusive Banking Systems
Unmet MSME Financing Needs	"Closing the Missing Middle" with Apex Guarantees
Ad Hoc Climate Financing	Integrated Climate Finance & Carbon Markets
Humanitarian Stop-Gap Aid	NEXUS Programming for Long-Term Resilience

KEY ACTION AREAS: BUILDING THE FUTURE



ACCELERATE DIGITAL TRANSFORMATION

- Launch "Digital-by-Default" services to enhance efficiency and transparency.
- Modernize tax collection through digital systems.
- Expand mobile money to boost financial inclusion.



DEVELOP CAPITAL MARKETS

- Comprehensive and functional Securities Exchange (ESX) to mobilize long-term capital.
- Develop new financial products like asset-backed securities and mutual funds.
- Strengthen the participation of pension funds and insurance companies as key investors.



GREEN THE FINANCIAL SYSTEM:

- Establish a Green Taxonomy to guide sustainable investments.
- Introduce Green and Climate financing instruments to finance environmental projects.
- Develop a national Carbon Trading Framework to monetize emission reductions.



CLOSE THE "MISSING MIDDLE" FOR MSMEs:

- Establish an Apex Financing Structure to provide credit guarantees for Small and Medium-sized Enterprises (SMEs).
- Unlock SME potential as key drivers of growth and job creation.

GOVERNANCE & PARTNERSHIP: HOW WE'LL GET IT DONE



LEADERSHIP

Led by the Ministry of Finance in close coordination with the Ministry of Planning and Development.



COLLABORATION

A whole-of-society approach involving a strong partnership with the Development Partners Group (DPG), the private sector, and civil society to ensure alignment and success.



MONITORING

A robust monitoring and review process will track progress on the SDGs and ensure financial strategies are effective and accountable.