



Federal Ministry of Health

ETHIOPIA'S HEALTH SECTOR:
**EXCELLENT RETURNS ON YOUR
DEVELOPMENT FUNDING**

JUNE 2015



A WORTHY INVESTMENT **THAT MADE A DIFFERENCE**

Ethiopia has been catching global health media headlines for registering impressive achievements for more than a decade. This is primarily because these achievements were made in a relatively short period starting off at a very low baseline. In 1990, out of 1000 live births 204 children died before celebrating their 5th birthday; 1,400 mothers out of 100,000 births died, leaving a trail of broken homes and orphaned babies behind; HIV, Tuberculosis and Malaria used to claim the lives of hundreds of thousands of people and cause morbidities to millions; all these added held the average life expectancy at 45 years of age and immensely ruined the socio-economic development of the nation.

In 2013, we celebrated the achievement of MDG-4 well ahead of the deadline; out of 1000 live births 932 (94%) children celebrated their 5th birthday. Maternal mortality was slashed by 69% from 1400 to 420, a good achievement but a little short of the MDG target. Still, with remarkable progress made on contraceptive prevalence rate, antenatal care, institutional delivery, post-natal care and other high impact interventions, the maternal mortality target is well on track towards achievement. Mortalities and morbidities from HIV, tuberculosis and Malaria have reduced significantly: HIV prevalence has gone down by five-fold, incidence by 90%; mortalities and morbidities due to tuberculosis have been reduced by more than half; and Ethiopia hasn't experienced major Malaria outbreaks in the last eight years. Average life expectancy rose to 64 years of age, enabling productive-age citizens to live an additional 19 years to contribute to the socio-economic development of the country.

“Ethiopia has demonstrated that low-income countries can achieve improvements in health and access to services if policies, programmes and strategies are underpinned by ingenuity, innovativeness, political will and sustained commitment at all levels. An example is the development and rapid implementation of the Ethiopian Health Extension Programme.”

*Good Health at Low Cost. 25 years on: What Makes A Successful Health System?
Balabanova et al, London School of Hygiene and Tropical Medicine 2011*

Although a number of factors could be enumerated as drivers of these successes, the major and most important ones are the following:

1. **Political commitment:** This has been demonstrated by designing right policies and strategies, investing in the required inputs and processes, leading for results and ensuring that the achieved results are sustained.
2. **Community Participation and empowerment:** This has been enabled through the Health Extension Program which has trained and deployed more than 38,000 government-salaried health extension workers (HEWs) and the unprecedented social mobilization strategy known as the ‘Health Development Army’. Through these initiatives, communities have become major producers and masters of their own health.
3. **Aligning stakeholders behind one national plan:** This has been possible through a participatory planning process, joint governance system and an agreed upon monitoring and evaluation frame-work. Cognizant of the complex and intricate nature of health problems, the health sector has, along the way, called for harmonized efforts of the government, , multilateral and bilateral development partners, the private sector, non-governmental organizations and the public at large. Ethiopia is one of the first countries to sign the International Health Partnership (IHP+) Compact globally and at country level. The government took the initiative for the development a code of conduct which was signed by the major DPs in the sector. Following this, the Health Sector Development Program Harmonization Manual (HHM) was developed. The HHM defined mechanisms through which various actors in the sector should follow towards one plan, one budget and one report.

4. **Wise and strategic investment to build a strong and resilient health system:** the health sector has prudently used the government allocations and the unprecedented global support to build a strong and efficient health system that withstands various levels of health shocks. To improve access to service delivery, tens of thousands of health posts, thousands of health centers and hundreds of hospitals were built, staffed and equipped, and ambulances procured and distributed to all districts; to transform the supply chain, 17 warehouses, each at 200km radius throughout the country, were constructed by the Pharmaceutical Fund and Supply Agency – the procurement and distribution arm of the Ministry. With these services, the agency is envisioned to be a glimpse of hope not only for Ethiopia but also for the East and Horn of Africa Region. To transform the information system, health management information systems (HMIS) in health facilities and community health information systems (CHIS) in communities have been rolled out, with nearly 16 million family folders distributed so far.



THE MDG PERFORMANCE FUND AND ITS GENESIS



The MDG Performance Fund is a pooled funding mechanism managed by the FMOH using the Government of Ethiopia’s procedures. In the framework of the Ethiopia IHP compact, it provides complementary resources, consistent with the ‘one plan, one budget and one report’ concept, to secure additional finance to the Health Sector Development Programme. It is one of the GoE’s preferred modalities for scaling up development partners’ assistance in support of the HSDP.

When the IHP+ came into the picture in 2007, the Health Sector had a clear vision on the path it had to take and destiny it wanted to reach. This has been seen from its actions to:

- i. develop and implement four rounds of Health Sector Development Plans since 1997, and
- ii. link these HSDPs with various agreements signed with stakeholders, such as an international and a national Compact (in 2007 and 2008, respectively) and two Joint Financing Arrangements (in 2009 and 2012);
- iii. develop annual district-based plans, and hold annual joint review meetings.

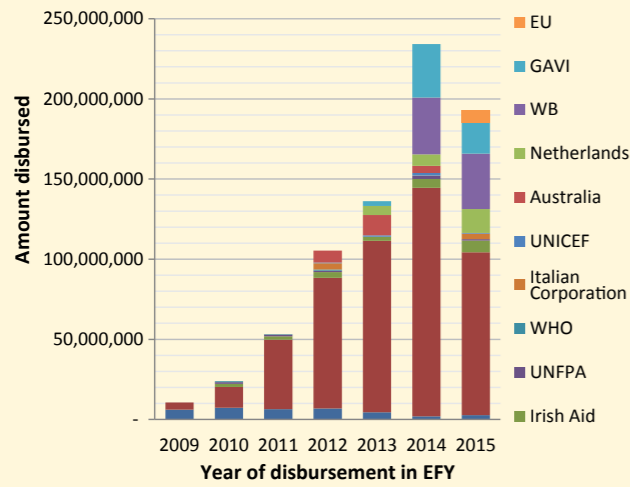


Figure 1: Amounts disbursed through the MDG PF 2009-2015

Following the global compact, the country IHP+ Compact was signed in August 2008 by 11 development partners (DPs). To jump-start the implementation, the financial management and the procurement systems were assessed by independent consultants and the Joint Financing Arrangement (JFA) was drafted. After a series of consultations, the first JFA was signed in 2009 by eight partners, and then revised and signed by ten partners in January 2012. Currently there are twelve DPs contributing to the MDG PF: vis, DFID, Spain, Irish Aid, Italian Cooperation, AusAID, the Netherlands Embassy,

UNICEF, WHO, UNFPA, GAVI, EU and the World Bank. Coordination mechanisms are well established in the health sector. Due to joint approval of the plan and joint appraisal of the performance, a growing number of DPs have subscribed to the pooled fund and the amount disbursed to the fund has increased from 10.6 million US dollars in 2009 (EFY 2001) to over 250 million US dollars in 2015 (EFY 2007)(see Graph 1 below). There has been a promising move to aid effectiveness over the years. If this picks a bit momentum in the years to come, it will help achieve many more results at lower cost.



“The quality of aid is more important than the quantity. We know what needs to be done and how to do it. But we cannot do it without flexible, predictable financial support. Give us the money and we will account for it and deliver results”.

Dr Tedros A Ghebreyesus,
Former Minister of Health 2012



THE MDG PERFORMANCE FUND – THE MOST PREFERRED MODALITY OF RECEIVING SUPPORT

- The fund supports government priorities:** One of the excellent qualities of the fund is the fact that it supports government priorities. As the MDG PF uses channel 2a, it is un-earmarked support to the health sector, the sector is at liberty to allocate resources to its priority programs and activities in such a way that it would have the highest impact and would help produce good health at low cost. Figure 2 depicts how the fund, including the proportion, has been allocated to priority program areas.
- It incurs less transaction costs and overhead expenses:** As the mechanism uses existing government systems for its operations (planning, financial management, procurement, reporting and auditing), the transaction costs associated with it are minimal as compared to any of the funding channels. With this funding, several level overhead costs have been avoided. The fact that it uses an integrated service delivery system and pooled procurement makes the transaction very efficient and effective.
- It is flexible and thus provides high value for money (VFM):** This relates to the first point of the fund being un-earmarked. It can be flexibly used for financing the critically important activities that are not otherwise supported by any other sources. The fund has been used primarily for filling in a number of critical health sector gaps. The massive expansion of health facilities, the procurement of medical equipment for health facilities, and the procurement and distribution of more than

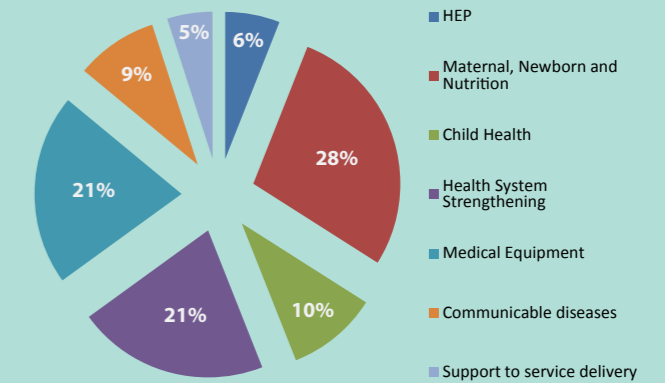


Figure 2: MDG PF allocation by major program areas

1200 ambulances are good examples of this. The pooled procurement by PFSA provides profoundly better value for money than other systems. For example, a digital X-Ray machine with the same specification, was procured through PFSA has proved to be 50% cheaper than a machine with similar specifications purchased through other systems, mainly because PFSA makes bulk purchases which reduces the unit price and this also reduces the transaction cost etc.

Over all, the MDG PF serves as a gap-filler to critical underfunded priorities of the health sector. A majority of the fund has been used to fill the gaps for maternal and child health and the health system strengthening efforts. A big proportion of the MDG PF has been spent at the federal level on procurement of high value medical equipment.



THE MAJOR RESULTS ACHIEVED THROUGH MDG PF

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Service Delivery

- More than 250 health centers have been constructed; more than a third of these are in the developing regions. These facilities created access to health care services for 5.3 million people.
- More than 700 health centers have been equipped ensuring more than 11 million people to have access to better-equipped health facilities.
- Two thousand health centers have been equipped with newborn corners and staff trained on newborn care. This has enabled 1.5 million newborns to have access to basic newborn care services during institutional deliveries.
- Sixteen hospitals have been equipped with neonatal ICUs creating access to advanced newborn care for 480,000 neonates, if required.

- One thousand two hundred standard ambulances have been procured, staffed with paramedics and distributed to each woreda, overcoming the second delay for institutional delivery; 91% of health facilities are now able to provide pre-hospital care.
- More than 400 operating rooms (ORs) are being constructed in 400 selected health centers. Once they are complete, equipped and staffed, they would expand access to comprehensive emergency obstetrics and neonatal care (CEmONC), including Cesarean Section and blood transfusion services to more than 300,000 deliveries.
 - o One CEmONC facility will be available to 150,000 people, which is better than the WHO recommendation. This –together with the training and deployment of midwives and integrated emergency surgical and obstetrics (IESO) officers – has brought quality maternal services closer to the community.
 - o To expand access to safe blood and blood products for mothers and children, 15 regional blood banks have been constructed. This has created access for more than a third of the population (35,000,000) and has helped improve outcomes of delivery-related complications.
- The unprecedented improvement of contraceptive prevalence rate (CPR) from 6%

- in 2000 to 42% in 2014 is in part a result of the contribution of the MDG PF in terms of familyplanning commodity security: MDG PF has procured massive contraceptive commodities with the required method mix.
 - o According to the couple-year-protection, 9.5 million unwanted pregnancies were protected.
 - o As a result of the huge procurement of Implanon, price per product has been reduced by half.
- Bendiocarb and Propoxure chemicals were procured for the Indoor Residual Spraying of 2.2 million households each year to protect against malaria more than 13million people per year and close to 40millionpeople over a three-year period;
 - o The insecticide-treated nets (ITN) procurement filled a critical gap of 1,000,000 ITNs to 500,000 households;
 - o The procurement of 5.3 million treatment doses of Artemisinin (ACT)ensured treatment of the same number of malaria patients.
- Solar panels have been procured and distributed to 800 health centers and more than 1000 health posts. This has improved the quality of health services provided to 20 million people at health centers and to 5 million people at health posts.
- Motor bikes have been bought and distributed to 1,700 health centers for use by health extension workers’ supervisors serving nearly 50% of the total health centers in the country. This has assisted the supportive supervision of 17,000 HEWs, with a positive impact on the service provided to 42.5million people.



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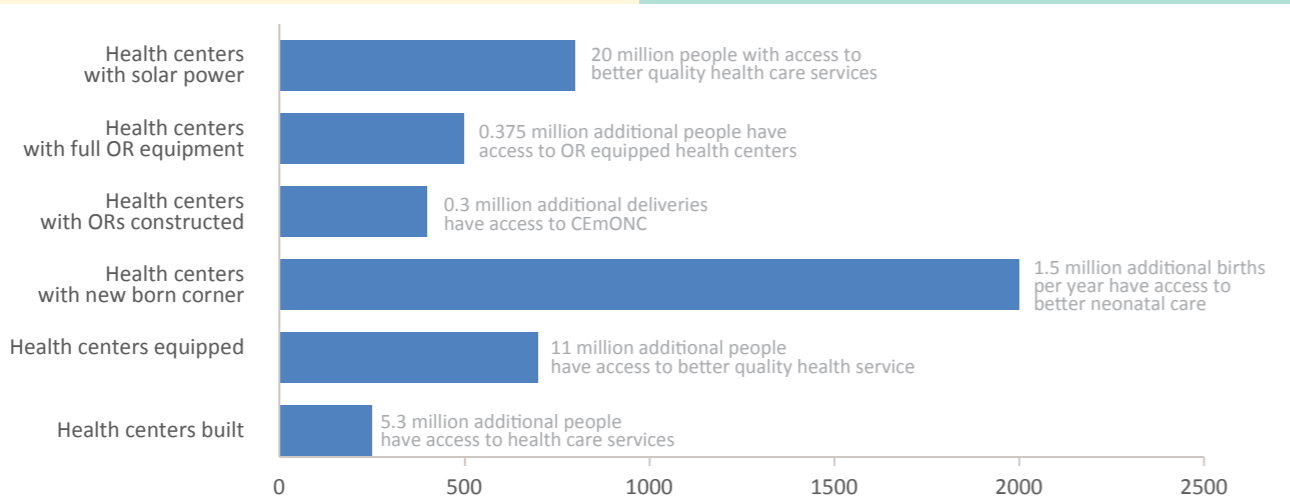


Figure 3: Number of health centers build and/or equipped through the MDG PF.

Supply chain system

- One central store (in Addis Ababa) and 17 regional hubs have been constructed, equipped and staffed. One hub serves facilities within 200 km radius. This has ensured commodity security for all facilities and more than 95% access to essential drugs.
- More than 4,000 solar refrigerators have been procured and distributed to health posts and health centers in the pastoralist regions that are off the power grid. This has helped to maintain the cold chain system and therefore the potency of vaccines. As a result, more than one million

children under five years have accessed potent vaccines.

- o Similarly, 134 solar refrigerators have been procured and installed in district health offices to serve more than 13.4 million people and 670,000 children under the age of five years.
- Ten regional biomedical equipment maintenance workshops have been constructed and equipped. In addition, 600 biomedical engineers have been trained and assigned to these workshops and to health facilities, increasing the service life of costly medical equipment.

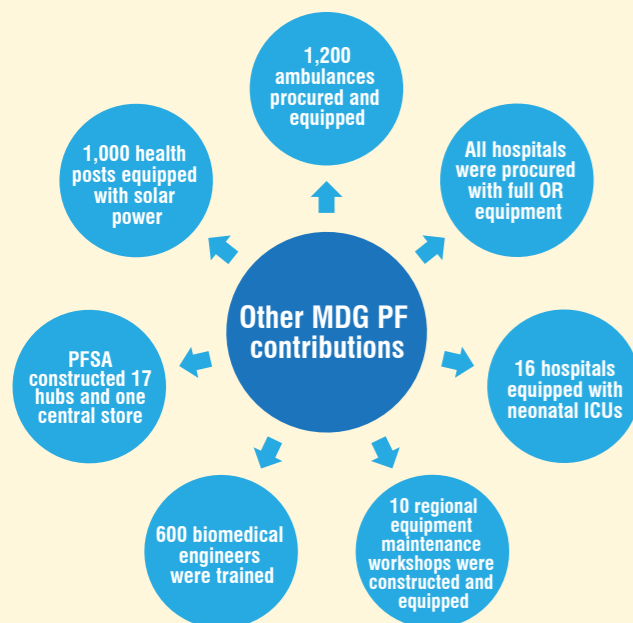


Figure 4: Health Systems Strengthening through the MDG PF.



Human Resource for Health

- The MDG PF has supported various trainings at different levels, including:
 - o the pre-deployment training provided to new graduates in different health professions to introduce them to the health policy and strategies and to instill in them a sense of giving back to the nation;
 - o The MDG PF supported training of 1500 midwives through the accelerated midwife training. These are assigned two per health center, enabling the sector to provide skilled delivery services to over 560,000 pregnant women per year.
- The government of Ethiopia has expanded the network of medical schools (now 27 public medical schools) to respond to the system's need of physicians. The MDG PF has invested heavily in this initiative to increase the enrollment capacity by 600 per year. The investments are mainly on building the capacity of these medical schools through procurement of ICT materials, medical equipment, skill labs, books, and buses to transport students.

Information System

- The MDG PF has also supported the health information system by training the staff and availing the required formats to all health facilities.
 - o The width/coverage of the information system as well as its reliability and consistency has improved.
 - o The availability of quality information to decision makers at all levels of the health system has improved evidence-based decision making throughout the sector.

Financial system

- The MDG PF uses existing government systems for financial management and procurement as well as external and internal audit. It has a

common planning, reporting and monitoring framework. This helps reduce the transaction cost and strengthen the existing system through closer monitoring and follow up.

- A plan of action (POA) was developed to improve the system following the joint financial management assessment (FMA) that was conducted in 2008 before the establishment of MDG PF. The implementation of the POA has significantly improved the system. This was confirmed by the FMA done in 2011.
- The system improvement was undertaken by assigning skilled staff, providing on-the-job trainings, and through regular follow up and monitoring of implementation and utilization of fund. As a result, timely financial and activity reports are being sent to stakeholders, audits are done within the agreed time period, and clean audit opinions have been received in the last three years for all grants.
- One of the recommendations of the second FMA was the establishment of a Grant Management Unit (GMU) to facilitate utilization and liquidation of funds. The GMU was established in 2012 under the Finance and Procurement Directorate of the Ministry. This facilitated the timely utilization of funds as per contract agreement, timely reporting and auditing.
- The GMU is based on a grant management cycle that involves developing a concept note, selecting potential donor, proposal submission, negotiating a grant, managing, monitoring and reporting grant implementation, and close-out of the grant. The GMU focuses on improving program performance, proper financial utilization and effective grant monitoring and follow-up.
- In the past two years, the GMU has improved the management of grants, including the MDG PF, as per the signed agreements.
 - o The establishment of GMUs at regional and sub-regional levels is being cascaded to facilitate utilization and liquidation of funds.

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CHALLENGES ENCOUNTERED DURING IMPLEMENTATION OF THE MDG PF

The major challenges of the MDG PF are; slow utilization mainly due to, late disbursement by development partners, low predictability with some contributors and lengthy procurement processes which is a result of limited capacity at the procurement agencies. The high turnover of staff resulted in limited technical capacity at federal and sub-national levels have also contributed to the overall challenges faced by the performance fund. However the government together with its development partners has planned to improve the challenges through developing a capacity development plan both at the federal (including PFSA) and sub-national levels which will improve the above challenges during the next strategic period.

THE MDG PF POST-2015

As is clearly demonstrated by the examples of results given in this paper, the MDG PF has, with a particular focus on maternal and child health, contributed to significant improvements of the health of Ethiopian citizens. But, as outlined in the HSTP for 2015-2020, a lot more needs to be done in order to further improve the health status in Ethiopia. With a strong focus of the HSTP on delivering quality and equitable services to all, it will ensure consolidations of gains made and attain new achievements with transformational thinking and actions. To achieve the ambitious targets it is of paramount importance to consolidate the funding approaches that have proved effective in the past years, like the MDG PF. Given the impressive results already achieved through the MDG PF, its alignment with the country IHP+ Compact, commitment to aid effectiveness principles, and to more value for money providing good health at low cost and high return on investments, we sincerely hope that you will join the Fund in its future strive to achieve all health related MDGs and SDGs for Ethiopia. It is our firm belief that Ethiopia is on the right path towards ensuring healthy, productive and prosperous Ethiopians as outlined in Ethiopia's long term vision for the health sector. Please, join us in becoming part of making history in the health sector!



