THE FEDERAL DEMOCRATIC REPUBLIC OF ETHIOPIA

Ministry of Health

Health Care Financing Strategy 2022 – 2031

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Acronyms

DPs	Development Partners
EHIA	Ethiopian Health Insurance Agency
EDHS	Ethiopian Demographic and Health Survey
EHSP	Essential Health Services Package
EPHI	Ethiopian Public Health Institute
EPI	Expanded Program on Immunization
FDI	Foreign Direct Investments
EFDA	Ethiopia Food and Drug Administration
FP	Family Planning
GoE	Government of Ethiopia
GDP	Gross Domestic Product
GTP	Growth and Transformation Plan
HCF TWG	Health Care Financing Technical Working Group
HCFS	Health Care Financing Strategy
HDA	Health Development Army
HEP	Health Extension Programme
HEW	Health Extension Workers
HFGB	Health Facility Governance Board
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HRH	Human Resources for Health
HSDP	Health Sector Development Plan
HSTP	Health Sector Transformation Plan
HTA	Health Technology Assessment
IFMIS	Integrated Finance and Management Information System
IHP+	International Health Partnership
IMCI	Integrated Management of Childhood Illness
IMR	Infant Mortality Rate
JFA	Joint Financing Arrangement
LMIC	Low and Middle-Income Countries
MDG	Millennium Development Goal
MNCH	Maternal, Neonatal, & Child Health
MOF	Ministry of Finance
MOH	Ministry of Health

NHE	National Health Expenditure
NCDs	Non-communicable Diseases
NHA	National Health Accounts
ODA	Official Development Assistance
OHT	One Health Tool
OOP	Out-of-Pocket
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PF	Performance Fund
PHC	Primary Health Care
PHCU	Primary Heath Care Unit
PBS	Protection of Basic Services
PERs	Performance Evaluation Reports
PNC	Postnatal Care
PPP	Public-Private Partnership
RHBs	Regional Health Bureaus
SDPRP	Sustainable Development and Poverty Reduction Program
SHI	Social health insurance
SSA	Sub-Saharan African
SDGs	Sustainable Development Goals
TB	Tuberculosis
THE	Total Health Expenditure
UHC	Universal Health Coverage
U5MR	Under Five Mortality Rate
WHO	World Health Organization

Foreword

Ethiopia has implemented a Health Care Financing Strategy (HCF) for the past two decades. During this period, the HCF has made an unprecedented contribution by mobilizing financial resources for improving access to health services and health outcomes.

This HCF (2022 – 2031) builds upon the successes and challenges of the earlier strategy to accelerate progress towards Ethiopia`s vision for attaining Universal Health Coverage (UHC) through Primary Health Care (PHC). This strategy is intended to pave the path to sustainable health financing to provide proven essential health services to all segments of the population without incurring financial hardship in accessing the service.

Health financing provides the fuel for the health system – the resources which allow it to function and to enable Ethiopians to live a healthy, productive and dignified life. This HCF is an important strategic tool for the Government as it lays out a clear vision for 2022-2031, with specific goals, strategic objectives and initiatives, to make the financing of health services in Ethiopia fairer and sustainable.

Through this strategy, we will build on the gains made in the past two decades and will strengthen our commitment to providing accessible, quality and affordable essential health care services to our people. We will ensure that the growing health insurance system and public financing allows all citizens of Ethiopia to access health care without the risk of being impoverished as a result of unplanned health spending. As Ethiopia becomes a middle-income country, we will also take steps to make financing of health services more sustainable, with a gradual and carefully managed shift away from dependence on external funding. Finally, we will ensure that resources are used as efficiently as possible.

I would like to acknowledge all stakeholders who supported the development of this HCF, and take this opportunity to request all of you to support its implementation. It will help us to fulfill our vision of 'healthy, productive and prosperous Ethiopians'.

Dr. Lia Tadesse

Minister of Health

Chapter 1: Background

Over the years, the government of Ethiopia has designed and implemented several strategic plans to develop the country. The first and second growth and transformation plans implemented from 2010/11 to 2019/20 brought continuous growth in the economy. From 2015/16 to 2019/20, the gross domestic product (GDP) has grown on average by 9.2 percent using the 2015/16 constant prices to reach 1.99 trillion ETB in 2019/20 from 923 billion ETB in 2010/11[1]. These is a very impressive performance as compared to the growth rate of 3.1 percent for Sub-Saharan Africa in 2019[2]. The strong social and economic development registered in the country has led to important progress towards Sustainable Development Goals. Currently, the ten-year perspective plan (2019/20 – 2029/30) is being implemented to sustain and accelerate the remarkable achievements the country has registered during the first and second GTP periods. Guided by this ten-year development plans, the government has planned to achieve sustainable rapid economic growth for the coming ten consecutive years.

The strong economic growth, complemented by pro-poor spending policies of the government, has led to a noteworthy rise in per capita income of citizens. The per capita income of Ethiopians has increased from US$ 255 in 2004/05 to US$ 856 in 2019/20[3] and as a result the national poverty rate has declined from 44 percent in 2000 to 19 percent in 2019/20[1].

Since 1997 the government has also developed and implemented four successive five-year Health Sector Development Programs (HSDP) and one five-year health sector transformation plan (HSTP) in order to attain the goals of the 1993 National Health Policy and the 1998 Health Care Financing strategy. The 1998 health care financing strategy emphasized on increasing the financial resources for health through a pluralistic approach with an objective of improving service coverage and quality.

Effective implementation of these policies and programs, particularly during the last decade, has significantly improved the health status of Ethiopians. These policies and programs have guided the government of Ethiopia, development partners and the community at large to coordinate and invest in cost-effective primary health interventions and primary health care delivery system[4] for delivering remarkable results in conventional health parameters of child, maternal and communicable disease morbidity and mortality. Over the last decade, the total expenditure on health has increased dramatically, improving the quality of lives of most Ethiopians. The total nominal health expenditure has grown from $0.522 Billion in 2004/05 to $3.1 Billion in 2016/17, along with the steady growth of

1 The 10 Year Development Plan, FDRE Plan and Development Commission

2 World Economic Outlook, International Monetary Fund April 2021

3 Planning Commission Brief Note on 2015/16 NAS Estimates

4 Strengthening of the Health Extension Program and expansion of the Primary Health Care Units

per capita health expenditure from $4.50 in 1995/96 to $33 in 2016/17[5]. The government expenditure on health has also been increasing over time. For instance, the general government health expenditure as a share of total government expenditure has increased from 5.1 percent in 2010/11 to 8.1 percent in 2019/20 despite the fact that it is still much lower than the Abuja declaration of 15 percent.

The government has recently developed and started implementing the second health sector transformation plan (HSTP-II) which has identified five -priority issues as the "transformation agenda". Health financing has come out as one of these transformation agendas with the aim of reforming public financial management and health financing to improve efficiency and accountability, while pursuing the agenda of sustainable domestic resource mobilization for health. The base-case scenario of the plan has estimated the cost of implementing the plan as 21.9 billion USD which produces, in business-as-usual financing conditions, a total financing gap of 3.2 billion USD over the five years period and an annual average of 0.64 billion USD[6]. Furthermore, the total funding gap is about one percent of the general government expenditure. According to the plan, the ministry of health strives to make the health financing more relay on domestic financing by reducing the overall external assistant share of the total expenditure from 35%, current, to 20% in ten years while achieving financial risk protection by reducing the OOP share from total expenditure of 31% to 20%. On the other hand, the resource availability projection assumes that the general government health expenditure out of general government expenditure may range from 8.1% in the low case scenario to 15% in the high case scenario.

Although the 1998 HCF strategy has brought about tremendous changes in the health sector, it must be revised to accommodate the significant changes that the country has undergone through since its inception in 1998. This includes: the country's vision to become a Middle-Income Country by 2025; the country's vision to achieve universal health coverage by 2035; changes in local, regional and global health and development priorities; changes in local, regional and global funding landscape for health and development; and, epidemiological, socio-cultural and economic changes experienced by the country, region and world.

The government is now taking a number of measures to enhance the current health care financing system with the aim of increasing resource flows into the sector, improving the efficiency of resource utilization, and ensuring sustainability of financing to improve the overall coverage and quality of

5 National Health Accounts VII 2016/17

6 Health Sector Transformation Plan II, Ministry of Health, 2020

health services. These changes have led to the development of this enhanced health sector financing strategy to accelerate Ethiopia's progress towards "Universal Health Coverage through strengthening Primary Health Care – UHC through PHC".

As compared to the 1998 HCF strategy, the new HCF strategy will help to better strengthen existing health financing schemes; mobilize additional resources by deploying innovative financing mechanisms; advocate the use of public-private partnerships modalities; and implement performance-based financing schemes. It will also help to develop better capacity building initiatives at all level in order to effectively implement the health care financing strategy.

Chapter 2: Overview of the health sector

2.1 Health Status and Trend in Ethiopia

Ethiopia is characterized by a predominantly rural population with partial but rapidly expanding access to education, safe water, housing, sanitation, food and health care. Noteworthy progress has been made in improving health outcomes and health service delivery system in Ethiopia. The Inter-agency Group for Child Mortality Estimation reported that Ethiopia has achieved the child health related MDG target (MDG-4), three years ahead of target date.

Ethiopian Demographic and Health Surveys (EDHS 2000, 2005, 2011, 2016 and EMDHS 2019) show improving trends for major health outcome and coverage indicators. Over the past 15 years, under-five mortality (U5MR) has declined from 166 deaths per 1,000 live births in 2000 to 88 deaths per 1,000 live births in 2011, and to 55 deaths per 1,000 live births in EMDHS 2019. Infant Mortality Rates (IMR) has declined from 97 deaths per 1,000 live births in 2000 to 59 deaths per 1,000 live births in 2011, and to 43 deaths per 1,000 live births in EMHDS 2019. Despite improvements in childhood morbidity and mortality, nearly one in three children is chronically under-nourished (37%) of children are stunted, EMDHS 2019).

According to the EDHS estimates, there is a steady decline in maternal mortality ratio (MMR) in the past 15 years: from 871 deaths per 100,000 live births in the 2000 to 401 deaths per 100,000 live births in 2017 (WHO and World Bank).

According to the 2014 HIV estimates, national HIV prevalence in Ethiopia was 1.14%, indicating the country has reached the Millennium Development Goal 6 target of 2.5%. The HIV prevalence in Ethiopia is low compared to most other Sub-Saharan African (SSA) countries.

With regard to Tuberculosis (TB), Ethiopia has achieved all the three targets set for TB prevention and control. Mortality and prevalence due to TB has declined by more than 50% and TB incidence rate

has decreased significantly. Nevertheless, Ethiopia is one of the three high Multi-Drug Resistant TB (MDR-TB) burden countries in SSA signaling the need for more concerted effort in halting and averting the MDR TB in Ethiopia.

Ethiopia has also registered a remarkable progress in achieving malaria related MDG targets evidenced by reduced prevalence and death rate associated with malaria, and the country is embarking on malaria elimination road map to eliminate malaria by 2030.

Ethiopia has been effective in public health emergency management including health outbreak investigations and ensuring timely responses during HSTP-I. During the period 2015 to 2018, the proportions of public health emergency affected people provided with rehabilitation services was 84%. The proportion of epidemics controlled within acceptable mortality rates also increased from 40% in 2015/16 to 80% in 2017/18. (HSTP II)

Despite impressive progress, the needs remain huge. Ethiopia's achievements are from a low base, with absolute levels of maternal and child mortality still remaining high. Also, the achievements have been unequal, with pastoral areas of the country particularly lagging behind. Health care provision in the country remains basic and in many cases of poor quality. Therefore, the next phase of improvement will require higher levels of investment as the country needs to go beyond basic level primary care, largely provided through community-based health extension workers and health centers, to having fully functional primary hospitals with skilled health care providers equipped manage long-term chronic health conditions, and have an effective referral mechanism.

2.2. Organization of the health system

Since 2004, Ethiopia's health sector has been driven by public sector-wide reform which focused on restructuring the system to establish customer-focused institutions, rapidly scaling-up of health services and enhancing the quality of care.

The sector has tested a variety of approaches, including benchmarking best practices, designing new processes and revising organizational structures. As a result of these Business Process Reengineering initiatives, the Ethiopian health sector has been organized in a three-tier health care delivery system as indicated in figure-1.

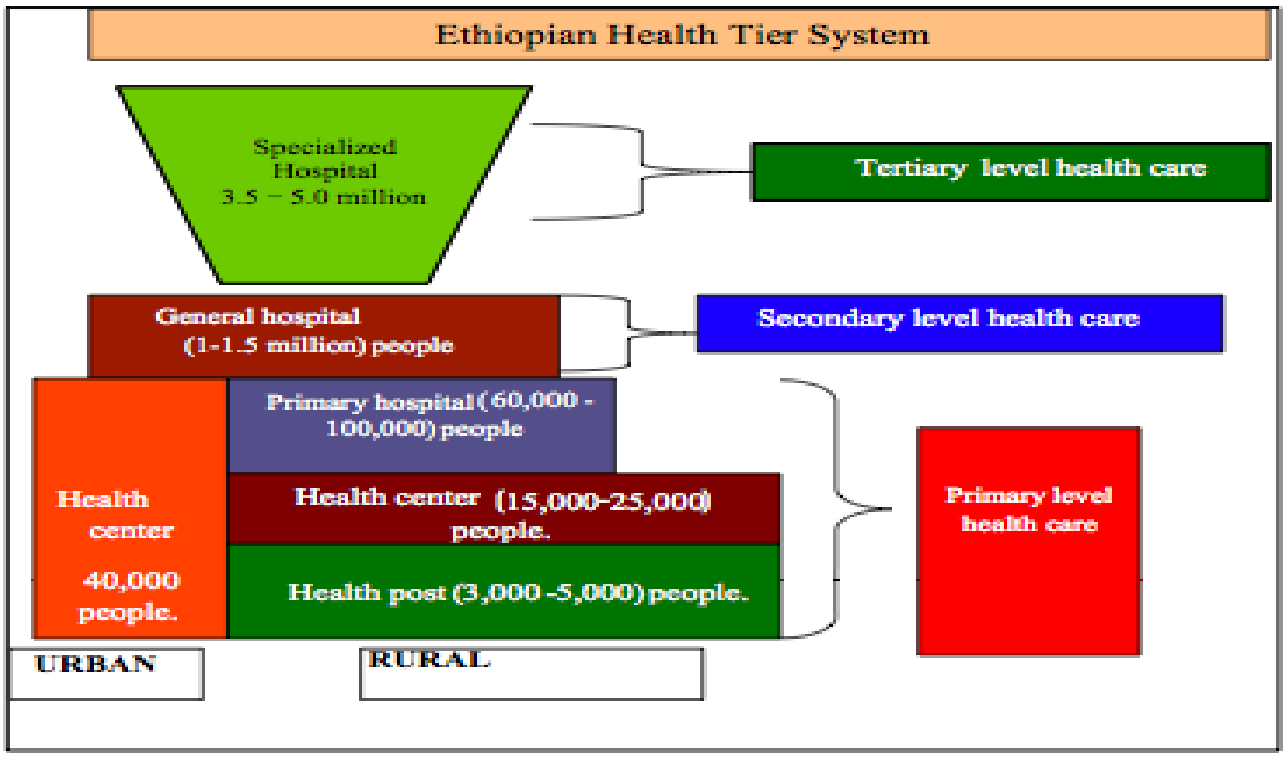

Figure 1: Ethiopian Health Service Delivery System

At all levels (federal, regional and woreda), decision making processes and responsibilities are shared. The MOH and Regional Health Bureaus focus more on policy matters and technical support and woreda health offices manage and coordinate the operation of a district health system under their jurisdiction. The Health Extension Program (HEP) and Health Development Army (HDA) network play a critical role to link the community with the health service delivery system (i.e., the Primary Health Care Units - PHCUs).

Investment made so far on PHCUs is essential to reduce disparities in accessing essential health services. These efforts are expected to be consolidated and further enhanced by strengthening PHCUs and their linkages to higher level facilities with specialized services to improve quality and outcomes of health care services. To further augment financial risk protection, health insurance schemes are being established and expanded. Expansion of service coverage, financial protection and referral mechanisms will benefit the disadvantaged populations and regions, and reduce inequities in the access and utilization of quality health services, which in turn will reduce inequalities in health outcomes.

Chapter 3: Overview of the 1998 Health Care Financing Strategy

Since the introduction of formal health services in the country; responsibility for providing health services has rested almost entirely on the government sector. Prior to the introduction of the first health policy in 1993, health priorities and general resource allocation biases kept the government health expenditure at lower levels and most of the recurrent budget was spent on salaries.

The share of government capital budget for health was also very low and the construction of new health facilities and maintenance of existing ones was very limited. In addition, allocation of resources to the health sector was highly skewed in favor of urban centers, and secondary and tertiary health care services. This weakened the health system and it was able to reach only a limited section of the population.

The 1993 policy, along with the 1998 HCFs, was developed to address this worrying trend and to provide modern promotive, preventive, curative and rehabilitative services to all segments of the population, in all parts of Ethiopia, by increasing resources to the health sector.

3.1 Priorities of the 1998 Health Care Financing Strategy

The health care financing strategy endorsed in 1998 had envisioned a wide range of reform initiatives to increase resources for health, enhance efficiency in the use of available resources, improve the quality and coverage of health services, ensure equity and promote sustainability.

The strategy recognized that there is a serious need to: mobilize more resources for the health sector; ensure equitable and efficient resource allocation; ensure efficient use of available resources; and, diversify health care financing revenue sources to ensure sustainability. To operationalize the strategy specific reform measures, known as first generation reforms, were implemented. These reforms include: revenue retention and use at the health facility level; systematizing the fee waiver system; standardization of exempted services; setting and revision of user fees; allowing establishment of private wing in public hospitals; outsourcing of non-clinical services; and, promotion of health facility autonomy through establishment of a governance system.

The strategy also laid the foundation for the development of health insurance strategy that guided the design and implementation of health insurance activities, known as the second-generation reform. The establishment of the Ethiopian Health Insurance Agency and sub-national branch offices and the development of various legal frameworks have laid a foundation for its implementation.

The implementation of these reform initiatives was legalized through regional legislations and operationalized in line with prototype implementation frameworks that were modified and aligned within specific regional contexts.

3.2 Overall achievements and challenges

The financing sources of the Ethiopia's health sector include: the government treasury at different levels; out-of-pocket expenditures at point of care; and, funding from external partners. The resources mobilized through these financing sources have contributed to significant improvements in health outcome and achievement of all health-related MDGs. However, the finance generated through these sources is not enough for ensuring equitable access to quality health service for all segments of the population.

The total health expenditure in Ethiopia has increased from US$4.5 per capita in 1995/96 to $33 per capita in 2016/17[7]. Notwithstanding this increase, the current health expenditure per capita is still significantly below the low-income countries' average health spend of $36 per capita[8] (much lower than the World Health Organization recommended spending of $86 per capita[9] for low-income countries to be able to provide essential health services). Although cost of service delivery in Ethiopia may be less due to relatively lower recurrent expenditure and better comparative advantage in terms of purchasing power parity, still the current per capita health spend is grossly inadequate for providing universal primary health care.

The government spending on health, both at national and sub-national levels, has also grown in nominal terms over the years. Contribution of the external source of spending accounted one third of the total health expenditure, making it a vital financing source for health services in 2016/17[10] and Significant proportion of health spend coming from external sources has serious implication on the sustainability of financing health services in Ethiopia. Despite increase in nominal terms, the government health expenditure as share of total government expenditure has remained between 5% and 8% since 2000. Although health remains a priority sector for investment, the share of total government budget allocated for health remains relatively low as compared to the Abuja target of 15%[11].

Key achievements and challenges of the 1998 Health Care Financing Strategy are summarized below by its major financial functions.

7 National Health Accounts VII 2016/17

8 National Health Accounts VII 2016/17

9 WHO 2014

10 National Health Accounts VII 2016/17

11 WHO 2001

3.2.1 Revenue raising

The implementation of the HCF strategy has contributed to increase in the overall health resources. During its implementation period[12]: the total health expenditure per capita has increased substantially, from $4.5 per capita in 1995/96 to $33 per capita in 2016/17; overall government spending on health has grown in nominal terms, from Birr 1.38 Bill in 2004/5 to Birr 23.07 Bill in 2016/17; in the same period, funding from external sources has grown significantly, from Birr 1.66 Bill in 2004/5 to Birr 25.35 Bill in 2016/17; and, spending on health at point of care (i.e., out-of-packet health expenditure) has grown Birr 1.38 Bill in 2004/5 to Birr 22.08 Bill in 2016/17. It is evident from these trends that the major driver of the increased per capita spending on health in Ethiopia in recent years has been funding from external resources and government. Although total spending on health has increased significantly, it is still significantly below the World Health Organization's recommended spend of $86 per capita[13] for low-income countries to be able to provide essential health services to all. Also, high dependence on external sources for financing of health services raises some serious concerns about the sustainability of financing health services in Ethiopia. Therefore, at a minimum, the government spend on health, as the percentage of total government spend, needs to be increased incrementally to 15% to enhance the total health spend as well as to make the health financing situation in Ethiopia more sustainable.

Increased funding from external sources could be mostly attributed to Ethiopia's ability to establish a strong and trusted partnership between the Ministry of Health and development partners. This partnership has been established by honoring the principles of harmonization, alignment and mutual accountability. This has led to the convergence of domestic and external resources, complemented by high quality technical and managerial support, to achieve a common set of objectives. The Ministry of Health has also managed to demonstrate impressive results and value for money for the resources it has managed over the years, which in turn has increased the numbers of external partners contributing resources to pooled funding mechanism guided by a 'Joint Financing Agreement, JFA' between the government of Ethiopia and development partners.

In addition to JFA, the government of Ethiopia and Ministry of Health have managed to offer alternative financing options/channels to effectively invest on health, including: Channel 1 and 2 where funds are managed by various levels of government; and, Channel 3 where funds are managed by non-government implementing partners. These channels have allowed effective deployment of resources to health by using a mix of funding modalities (such as general government revenue, block

12 Estimated by a series of National Health Accounts Surveys (Year 1996/97, 2004/5, 2016/17)

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transfers from development partners, and on and off budget project financing from development partners) to enable positive movement of health resources from off-budget mechanisms to on-budget mechanisms. However, despite these positive changes, off-budget funding is still a significant part of total health expenditure in Ethiopia.

The other reform elements that have contributed to increased resources in the health sector are the revenue retention arrangements. By the end of 2015, more than 3,020 health centers and 120 hospitals retained and used revenue (i.e., user fee) for improving quality of services. In addition, many hospitals have established private wings. Revenue generated through these wings augment the total resources available in these health facilities to reduce attrition of highly skilled health professionals.

The fact that significant portion of the revenue are from households and having low tax base due to the poor socioeconomic development of the country are the major challenges in revenue raising. In addition. having a fragmented prepayment financing mechanism and poor institutional arrangement are among the constraints that generally preclude low-income countries from raising revenues in the most efficient and equitable manner.

3.2.2 Pooling revenue

Ethiopia has used four financing mechanisms, with varied degree of success, to pool health risks, promote prepayment, raise revenues, and purchase services. These mechanisms are: state-funded systems through ministries and regional health bureaus, community-based health insurance, social health insurance and voluntary or private health insurance.

Public financing is the dominant financial pooling mechanism, where the government at federal and regional levels collects funds from a variety of sources on behalf of its citizens and pays for mainly public provision of health services.

The community-based health insurance, which pools government contributions with household contributions at Woreda levels, is at the stage of national scale-up after completing the pilot phase. Lessons from the pilot phase and other settings are being considered to finalize a pooling scale-up strategy. So far, fragmentation and voluntary-based enrollment are the main challenges of pooling through the CBHI scheme.

In 2008, Ministry of Health ratified the health insurance strategy and since 2010 endorsed the legal framework (proclamation and regulation) to implement Social Health Insurance (SHI) and established

the Ethiopian Health Insurance Agency (EHIA). The government is considering development of an evidence-based Social Health Insurance scale-up strategy. Private Health Insurance in Ethiopia is very limited.

In the past decade, the Ministry of Health has developed and implemented a series of Joint Financing Arrangements to ensure harmonization and alignment of funding from external partners. As part of the International and National Health Partnership (IHP+) compacts signed in 2008 and 2009, respectively, to improve aid effectiveness in the health sector and this compact is currently replaced by UHC 2030 commitment. The government and major development partners signed the first Joint Financing Arrangement (JFA) in 2009/10, which was valid till 2014/15, and the second JFA in 2015, valid till 2019/20. These JFAs facilitated pooled funding mechanism, the MDG Performance Fund (MDG PF), now called the SDG PF, and has been a great success story for all stakeholders in the health sector, bringing more than USD 1.62 billion to under-funded primary health care programs since its establishment in 2009. As a result, the government has also been able to improve access to, quality of and demand for primary health care services by reaching the poorest and geographically isolated citizens.

3.2.3 Purchasing of services

Purchasing refers to the mechanisms used to secure health services from public and/or private providers. With out-of-pocket (OOP) financing, household purchase services directly from providers; with prepaid/pooled funds, purchasing occurs on behalf of the population covered. Currently, the main purchasers are: the Ministry of Health; Regional Health Bureaus; Woreda Health Offices; Ethiopia Health Insurance Agency; and, other government entities that transfer budget to service providers and health facilities to reimburse service delivery cost. Households continue to be a dominant service purchaser for health care, which includes out-of-pocket expenditure for consultation, treatment, drugs and tests.

Public health facilities charge a considerate amount of user fee, along with the implementation of a fee waiver system, to generate additional revenue to maintain the quality of services. There has been improvement over the last few years in government allocation for fee waivers to facilitate access. While this progress is encouraging, it constitutes less than 10% of the total population that lives below the poverty line in the country. Maternal and child health services (FP, ANC, delivery, PNC and immunization, etc) are among the exempted health services in Ethiopia. As these services are majorly supported by donors and not sustainable, it has become challenging for the federal and regional governments to continue providing the services with fee exemption. Hence, looking for alternative financing sources and increasing health expenditure by the government is very important.

There is a need to make sure that the composition of the benefit packages and fee/fee waiver system at the public facility level meet efficiency, equity and affordability criteria while prioritising essential and cost-effective services with public health externalities. Despite improvements, medical supplies, including essential medicines, and other necessary inputs such as diagnostic services are often unavailable at many public health facilities, forcing patients to purchase these services from outside. This could further increase the out-of-pocket expenditure. In practice, therefore, the existing government benefit package provides limited financial risk protection.

The challenges in purchasing of services include the lack of provider, purchaser and regulator split; gap in clarity in service lists to be provided in the different tier of the health system; non-functional minimum requirement for licensing public health facility as well as the lack of health facility accreditation system; poor regulation and lack of accountability ensuring mechanisms for substandard health facilities (especially in public HFs); poor negotiation power by purchasers due to the fragmented pooling arrangements; and passive provider payment mechanisms.

3.2.4 Lessons learned

The development of this Health Care Financing Strategy takes into consideration the experiences gained from the implementation of the earlier strategy. A brief summary of lessons learned is presented below:

1. **Government ownership and institutional arrangement:** Ethiopia has demonstrated that low income countries can achieve improvements in health and access to services through strong political leadership and will/intent. The Ethiopian health care finance reform is government owned and led at various levels of the government. Therefore, setting strong institutional arrangements and coordination platforms to engage and streamline efforts at various levels of the government is vital for the success of the HCF goals.
2. **Harmonized technical assistance:** the implementation of the HCF strategy has enjoyed a long term technical support from development partners. Strengthening a harmonized and targeted technical support, and generation and use of evidence at all levels of the government to effectively design, implement and monitor health sector financing reform should be continued.
3. **Timely generation and use of evidence for decision:** The health care financing reform was supported through timely generation and use of evidence: NHA estimations, regular implementation reviews and other operational research activities generated valuable evidence for

critical policy dialogue, advocacy with policymakers and gauging improvements through multi-sectoral engagement and Public Private Partnership (PPP).

4. **Decentralized Planning and Budgeting:** The introduction of evidence-based planning ensured that resources are invested in high impact and low cost interventions to enhance effectiveness and efficiency at various levels of the health system. There have been tremendous increases in the negotiation and budgeting capabilities of the health sector and understanding of health issues by the Woreda finance and economic development administrators. These in turn, in many cases, have contributed to increased allocation to health.
5. **Role of the Private Sector:** Due emphasis for the involvement of all relevant stakeholders, including the private sector, to ensure commitment by all for the implementation of the strategic plan by having a shared vision and clear roles and responsibilities is quite important. There is a strong need to explore and strengthen public and private sector collaboration as an important mechanism for mobilizing additional resources for health.

Chapter 4: Rationale for a revised health financing strategy

The 1998 Health Care and Financing Strategy envisioned and laid foundations that contributed to many positive and progressive changes. However, to reflect Ethiopia's new ambitions and priorities, which are described in the Ten years perspective development plan (2021-2030), Health Visioning document for 2035, which aims at universal health coverage through primary care, and Health Sector Transformation Plan II (2020/21-2024/25), there is a need to revise the 1998 Health Care and Financing Strategy.

The Ethiopian health sector needs a new health financing strategy, with appropriate implementation modalities and institutional arrangements, that builds on the current local and global opportunities and challenges, and that takes advantage of the prevailing dynamisms of the sector to promote transformational supply and demand side health financing mechanisms to make the health financing situation in Ethiopia fairer and more sustainable.

Major rationales that justify the need for the revision of the first Health Care Financing strategy by considering the major shifts that happened since 1998 are describe below:

4.1 A renewed focus on Universal Health Coverage and achieving the health-related SDGs

Ethiopia has envisioned to achieve universal health coverage through primary health care by 2035 and has launched many initiatives to improve access to, quality and equity of essential health services. Ethiopia has also initiated health insurance reforms to address the demand side barriers.

The out-of-pocket expenditure is still high at 33% of total health expenditure (NHA VII). Therefore, the country needs a health financing strategy that sets clear strategies for improving risk pooling by enhancing redistribution capacity to progress the financial protection, and proven and tested approaches to address the operational and strategic implementation challenges of the current healthcare financing reform initiatives.

In order to improve UHC goals of financial protection and improved access to care, the government of Ethiopia has decided to expand service coverage and financial protection via a health insurance and other mechanisms by identifying those at greatest need, while also advocating for increased resource allocation for health from public sector budgets and international partners. A new health financing strategy could help accelerate implementation of the existing health financing initiatives to influence and change drastically the financing arrangements, efficiency and effectiveness of the health service delivery system.

4.2 Anticipated effects of the expected Economic Growth on health and health sector

Ethiopia's economic growth in real terms has reached an annual average growth rate of 10.1% over the past decade. According to the national Growth and Transformation Plan (GTP II), Ethiopia is expected to transition to Lower Middle Income Country (LMIC) status by 2025. This is likely to create important opportunities for the country to channel the benefits of growth to make its citizen healthier and more productive by improving the fairness and sustainability of the health sector, including increasing public health expenditure and financial risk protection against ill-health. The economic growth is also expected to stimulate demand in healthcare as a result of increase in income and change of lifestyles. It is, therefore, critical and timely to put in place a new health financing strategy that is compatible to the economic growth of the country to promote innovative and sustainable domestic health financing mechanisms.

4.3 Coping with the local and international aid dynamics

Ethiopia has been proactive in working with the international community for securing substantial development assistance for health. The Ministry of Health, with its strong commitment and leadership, has played a significant role in developing approaches to attain "scale", and "speed" for producing positive health outcomes. Currently, the sector requires a health financing strategy to cope with the changing global aid landscape, and to further consolidate and strengthen existing joint financing platforms and partnership arrangements for sustaining and increasing aid effectiveness by decreasing transaction costs and by identifying effective approaches to address leading causes of inefficiency in the health service delivery system and implementing strategies. In addition, as the

country's economic growth continues, it is important to be prepared for the possibility of cessation of support from international donors.

4.4 Meeting the financing demand of epidemiological transition of diseases

The burden of chronic and non-communicable (NCDs) diseases is increasing in Ethiopia where it constitutes a multiple burden along with communicable diseases, maternal and child health conditions, and nutritional problems. The ongoing health transition in Ethiopia, which encompasses demographic changes, such as lower fertility and longer life expectancy, as well as epidemiological changes, such as the shifting burden of illness toward non communicable diseases and injuries will have profound effects on the cost, quantity, and type of health services needed.

The health sector should be preparing itself to cater to the health need of the growing NCD patients through better health promotion, prevention, rehabilitation activities, establishment of proper diagnostic facilities, especially by considering the emerging technologies and referral system. Therefore, the country needs a new healthcare financing strategy that innovatively and proactively mobilizes and allocates resources to meet the changing demand for types of health services.

4.5 Technological Advancement

Ethiopians are demanding better quality preventive and curative health care services. To meet this demand, newer and proven health care technologies and innovative interventions need to be introduced. Introduction of these technologies and methods will require evidence-based prioritisation and additional investment on health. If not done proposedly, it could add significant amount of additional burden on the existing health care financing situation making it regressive and unsustainable. Cost associated with existing and newer health technologies and methods necessitates revisiting the health care financing strategy.

4.6 Health System Resilience

Health systems in Ethiopia and beyond have recently been affected by a number of catastrophic events or shocks, such as the economic crisis or the different epidemics like COVID-19, which impacts on the health system and is thus different from the predictable and enduring health system stresses, such as population growth and ageing. Therefore, to build resilient and sustainable systems for health that can respond to future epidemics and providing basic health services, there is a need for revising the strategy for enhancing resilience and map them on to the key health systems functions such as governance; financing; resources including appropriate level and distribution of human and physical resources and alternative and flexible approaches

to deliver care. In general, it is also important the revision for assessing the efficiency and effectiveness of emergency health financing mechanisms in Ethiopia during shocks.

Chapter 5: Policy Orientation, Goal & Guiding Principles

5.1 Policy Orientation

The Health Care Financing Strategy will guide a transition to a more equitable and sustainable financing for health, through gradual substitution of external fund by domestic fund. The Government of Ethiopia (GOE) will use a multi-pronged financing approach for financing the essential health services. GOE considers financing of essential health services as one of its core government functions.

5.2 Goal

The health care financing strategy, in line with Ethiopia`s ambition to attain universal health coverage through primary health care, has set out ambitious goals for improving health status, financial risk protection against catastrophic illness, and public satisfaction by investing on the health service delivery system to sustainably provide quality, equitable and affordable essential (or basic) health services for the realization of universal health coverage.

5.3 Guiding principles

- **Responsiveness:** health financing interventions need to be responsive to changing epidemiological, demographic, economic, social, cultural, technological and environmental factors.
- **Sustainability:** health financing interventions need to primarily rely on domestic means to ensure sustainability of financing and services while donors have an important role in complementing the country's effort to accelerate progress towards universal coverage.
- **Financial risk protection:** high reliance on out of pocket payments is associated with an increased risk of households being affected by financial catastrophe, being pushed in to poverty, therefore, health financing interventions need to expand access to health services through pooled prepayment mechanisms.
- **Equity:** in designing alternative health financing options considerations should be made on how to raise funds equitably (according to ability to pay) and how to ensure equity in service provision (based on the needs of individuals) and access.
- **Efficiency:** the health financing strategy should enable to provide high quality of care to the people among other measures by allocating resources efficiently, by managing risks with some

financing mechanisms (i.e. insurance) equitable, setting the provider payment methods appropriately, proper utilization of facilities by strengthening referral system, and developing financial management capacities at all levels of the health sector.

- **Public Satisfaction:** Establishing a high degree of 'trust' between the public health service delivery system and its citizens, resulting in high usage of basic health services is very important. Therefore, health financing interventions need to strengthen this 'trust' and support a mechanism to regularly monitor customer/public/citizen's satisfaction.
- **Health in all policies**: the healthcare financing strategy promotes working in collaboration and strengthen the systematic integration of health and its implications in other sector policies through multi-sectoral collaboration in order to improve efficiency, population health and health equity .

Chapter 6: Strategic objectives and initiatives

The overall objective of this strategy is to accelerate Ethiopia's progress towards Universal Health Coverage by defining a 'strategic framework' to enable Ethiopia to achieve the better health outcomes, financial protection against catastrophic health illness, and public satisfaction that would be expected of a lower middle-income country by 2025, and an upper middle-income country by 2035.

In line with this vision of achieving the better health outcomes by 2025 and in pursuit of the goal of the HCF strategy, five strategic objectives and corresponding strategic initiatives are developed. The five strategic objectives of the Health Care Financing Strategy 2022 – 2031 are:

SO-1: Mobilize adequate resources through traditional and innovative approaches
SO-2: Reduce out-of-pocket spending at the point of use
SO-3: Enhance equity, efficiency and effectiveness
SO-4: Strengthen public private partnership
SO-5: Capacity development for improved health care financing

Strategic Objective 1: Mobilize adequate resources through traditional and innovative approaches

This strategy aims to increase and sustain health sector resources to address the health financing resource gap, which Ethiopia is likely to face in the coming years, by maximizing the available

resources from all sources, domestic and external sources, through sustainable, innovative and scalable approaches. The strategy proposes to use the following four strategic initiatives:

Strategic initiatives

1. Increase government budget allocation for health
2. Generate additional finances from innovative financing mechanisms
3. Mobilize development assistance to ensure continued and aligned investment
4. Scale up the pre-payment mechanisms

Strategic Initiative 1: Increase government budget allocation for health:

In the medium to long term, the government needs to take over expenditure funded by external partners given Ethiopia's aspiration to become a lower middle-income country by 2025, and the expected decline in external funding. In addition, given its intentions to attain Universal Health Care, the government should cover some of out-of-pocket expenditure by subsidizing the enrolment of the poor people in the health insurance schemes. Therefore, increasing the share of government expenditure for health is crucial for the success of this health financing strategy to make the Ethiopian health financing situation fairer and more sustainable.

It is expected that all levels of government will progressively increase the share of the health sector budget at the federal, regional and Woreda levels. The Health Care Financing strategy will support activities to:

- Improve the negotiation capacity of federal, regional and woreda health offices in budget negotiation at their respective level;
- Ensure functionality and efficient use of the different structures and coordination platforms created at different levels to ensure the implementation of HCF strategy; and,
- Generate and use evidence at different levels to inform financial decision-making process.
- Strengthening the multi-sectoral collaboration and systematic integration of health and its implications in other public sector policies and strategies in order to improve resources for health and efficiency.

Strategic Initiative 2: Generate additional finances from innovative financing mechanisms

Innovative financing mechanisms could play a key role in additional resource mobilization for health and are of particular importance with regard to providing short-term improvements in the fiscal space for health, giving time to improve overall tax capacity. Priority will be given to innovative

mechanisms that improve fund raising in addition to the conventional resource mobilization and utilization mechanisms. In going forward, the focus of this strategy will be on:

- Establishing Health Fund to mobilize additional domestic resources in a sustainable way for addressing UHC through traditional and innovative approaches. As there is currently no system of collecting resources from individuals, business community and organizations, the establishment of Health Fund would create the opportunity to pull additional resources from the private sector and philanthropists as well as to create a means for different organization fulfil their social corporate responsibility.
- Based on the international best experiences about innovative financing mechanisms, the ministry of health, in collaboration with stakeholders, will explore further domestic innovative financing mechanisms (such as sin tax on alcohol, tobacco, and chat, tourism, airline levy, etc, directing certain proportion of Value Added Tax (VAT)) to support the health sector, and implement those that are found relevant, prudent, impactful and robust for mobilizing additional funding in Ethiopian context; and,
- Creating a national innovative healthcare financing platform to map/document, coordinate and consolidate different innovative financing mechanisms and activities at national and sub national level, and to periodically measure their progress and impact of people, government and health outcomes.

Strategic initiative 3: Mobilize development assistance to ensure continued and aligned investment

Ethiopia is at the forefront of mobilizing and implementing aid effectiveness in the health sector. This is also evidenced from being among the first countries to link the sector strategic plans with various financing agreements and arrangements, developed and signed together with stakeholders, to attain better health for all.

The government will work with and encourage development partners to direct their resources in a predictable manner through the preferred government funding channels: Channel 1(budget support through Ministry of Finance, MoF), Channel 2b (earmarked project type of funding where funds are provided directly to, managed and accounted for by the sector) *and Channel 2 (un-earmarked health sector support through Ministry of Health) to produce higher cost-benefit ratios and ensures sustainability.,*

The MOH, in collaboration with the Ministry of Finance, will continue to encourage development partner to invest in health, in the short to medium term, by:

- Continuing to demonstrate aid effectiveness in the health sector, where high priority health programmes have produced demonstrable population health outcomes, met the priority targets and reaching vulnerable groups;
- Putting in place strong resource management and control of fiduciary risks;
- Ensuring that health plans will continue to focus on high-priority groups and cost-effective interventions; and,
- Prioritizing the most preferred funding channels (through the MoF or through un-earmarked funding to MOH) and investing on "One plan" and "One budget" platforms.
- Introducing new donors and financing sources in addition to the existing donors by working in collaboration with the Ministry of Foreign Affairs.

Strategic initiatives 4: Scale-up of pre-payment mechanisms

Pre-Payment financing mechanisms, with effective waiver system, could play a crucial role for domestic financing, and for enhancing health seeking behaviour, accountability and equity; contributing to Ethiopia's move towards Universal Health Care. The details of the approaches and interventions for scaling up the pre-payment mechanisms are stated in strategic objective 2.

Strategic Objective 2: Reduce Out of Pocket (OOP) spending at the point of use

Ethiopia`s vision towards Universal Health Care will be achieved by ensuring that all Ethiopians receive an evidence and need-based package of health services through an effective, equitable, and efficient health care service delivery system, with a high degree of financial risk protection.

The out-of-pocket spending over the last 15 years has decreased as a share of the total health expenditure, from 53% in 1995/96 to 33% in 2016/17 (NHA I to VII). However, out-of-pocket still remains a burden to households. Government's effort to address the high out of pocket (OOP) spending at the point of use of health services will include the following four initiatives:

Strategic initiatives:

1. Make health service fees affordable
2. Strengthen the mechanism for exempting health services
3. Strengthen National Health Insurance Systems
4. Strengthen coverage of health insurance for the poor

Strategic initiative 1: Make health service fees affordable

The government will work towards making health services provided in the country affordable. In this regard, the government will continue to take into account 'peoples' capacity to pay' while setting and revising user fees. In addition to subsidy by the government, focus will be given to the following major areas to improve affordability of health services:

- Support and negotiate with the public and private health service providers to make charges/fees for health services fairer, evidence-based and affordable as well as ensuring accountability
- Strengthen the supply chain management of public health facilities to ensure availability of essential drugs, medical supplies and medical technologies/diagnostics.
- Work towards an increased implementation and coverage of both social health insurance and community health insurance schemes.

Strategic initiative 2: Strengthen the mechanism for exempting fee for health services

Exempted health services are services that are provided to all citizens free of charge without considering level of income with the objective of promoting public health. In this regard, the government will focus on the following:

- Standardize exempted health services nationwide.
- Increase government budget allocation to finance exempted services to fill gaps that might arise with the reduction of external support;
- Standardize exempted health services across regions to ensure equitable access and promote utilization of the services by the public; and,
- Generate evidence on the unit cost, health and economic impacts of providing exempted health services for advocacy and policy formulation.
- Identify and incorporate certain exempted services into the health insurance scheme step by step and through process.

Strategic initiative 3: Strengthen National Health Insurance Systems

Ethiopia will develop a national health insurance system by considering the challenges and opportunities associated with the on-going Community Health Insurance scheme and proposed Social Health Insurance scheme.

In this regard, the government will focus on the following:

- Develop an overarching legal framework to guide and harmonize the implementation of a national health insurance in all regions covering different socio-economic groups;
- Strengthen governance and institutional structures of health insurance to ensure effective implementation;

- Establish bigger/national health insurance pool to ensure regional cross-subsidization and continuum of care;
- Implement harmonized benefit package to ensure equity and sustainability;
- Implement various risk mitigation mechanisms to ensure sustainability of the health insurance system by reducing the effect of moral hazard, adverse selection, fraud and abuse;
- Implement different insurance contribution levels to mobilize resources according to ability to pay. Integrate insurance communication and promotion with the broader health sector communication and promotion programs to coverage/enrolment; and,
- Make insurance contributions affordable through the allocation of annual general subsidy by the federal government.
- Advocacy of private health insurance schemes (for profit or not- for-profit) which can be established by business firms or any voluntary groups or individuals to offer health insurance service to its members.

Strategic initiative 4: Strengthen Coverage for the Poor

Ensuring equitable access to health services in line with the National Health Equity Strategy and the Health Sector Transformation Plan is a key focus area of the health care financing strategy. In order to reduce the burden of out-of-pocket payments for health, the government will work to ensure that people under poverty line be covered by the community health insurance scheme and that the associated membership fees are paid by the government. In order to carry out this task effectively, the following activities will be focused on:

- Advocating for increased budget allocation by Woreda and City administrations for coverage of the poor people below poverty line;
- Strengthening the monitoring and evaluation capacity of Federal, Regional and Woreda level stake holders to track effective health service coverage of the poor; and,
- Establish a clear cost-sharing system for those displaced by natural and man-made disasters and those who cannot afford 24-hour emergency medical care;
- Advocating for harmonization and engagement of relevant sectors/other ministries in the targeting and selection of the poor, such as Ministry of Agriculture, and Ministry of Women and Social Affairs.

Strategic Objective 3: Enhancing equity, efficiency and effectiveness

The country has achieved more health outcomes, through an efficient health delivery system, with limited resources. In line with Ethiopia's current ambition to attain Universal Health Care, the

government aims to provide a proven package of essential health services to all its citizens without financial hardship by enhancing the quality, equity, efficiency, effectiveness and value-for-money of the health care service delivery system. The following five main strategic initiatives will make delivery of health services more equitable, efficient and effective:

Strategic initiatives:

1. Continue to invest on high impact and cost-effective interventions
2. Develop an effective harmonized financing and purchasing functions
3. Improving allocative and operational efficiency
4. Enhance transparent and accountable resource utilization
5. Assess, identify and implement different performance linked strategies to improve equity, efficiency and effectiveness

Strategic Initiative 1: Continue to invest on high impact and cost-effective interventions:

In the past two decades, the country has made tremendous achievements by implementing high impact and cost-effective health interventions, including the Health Extension program. Building on lessons from these strategies, the government of Ethiopia will continue to prioritize investing in high impact and cost-effective essential health services and interventions, with a focus on improving quality and equity.

Prioritization exercise of high impact essential health services packages will be done by taking into account the epidemiological changes in differ population groups, emerging health care technologies (diagnostics and therapeutic), demographic, economic and socio-cultural factors. To make this exercise compatible with the limited resource available, the essential packages will be revised periodically to respond to emerging changes and other service delivery factors. Moreover, the government will continue to define and prioritize which of these health care services will be provided: free of charge, as exempted services increasingly financed by domestic sources; and, through risk-pooling mechanisms to enhance equity and accelerate Ethiopia's progress towards Universal Health Care.

To operationalize this initiative, the focus will be given to:

- Objective assessment of high impact and cost-effective interventions, considering their affordability, to prioritize a proven package of essential health services; and,
- Implement a package of prioritized high impact and cost-effective health services.
- Establishing an institutionalized health technology assessment (HTA) system

- Implementing mechanisms such as performance-based financing and other staff motivating scheme to maximize the effectiveness and efficiency of health workers.

Strategic initiative 2: Develop an effective harmonized financing and purchasing functions

The health care financing strategy focuses on three main functions: resource mobilization, pooling; and, purchasing to make the health care service delivery system more efficient, effective and equitable. Considering the health sector as a whole, there is a need to focus on strengthening the institutional designs and improve organizational practices for better performance of the pooling and purchasing functions for enhancing efficiency, effectiveness and equity.

To create a harmonized financing scheme, there will be two main activities:

- **Strengthening the health care resource pooling functions:** Within this function, evidence based-planning, and the "one plan" and "one budget" core harmonization and alignment principles will be strengthened at all levels to ensure that resources are allocated to right priorities. Accordingly, the currently existing fragmented health financing modalities will be consolidated into government and risk pooling-based financing. Also, an integrated health insurance system will be developed incrementally to promote more active purchasing of services, based on information on population needs and the performance of different providers.
- **Strengthening and implementing effective health care purchasing mechanism:** The government will strengthen the purchasing reforms to create appropriate incentives so as to enhance efficiency in the use of resources. Purchasing of services will be guided by quality, performance of the health service providers and ability to reach most vulnerable sections of the society. Moreover, the essential health services packages need to be revised periodically and potentially expanded as the health need of the community changes through time and the financial capacity of the insurance schemes and the country improve with the economic growth.

Strategic initiative 3: Improving allocative and operational efficiency

The Health Sector Transformation Plan has prioritized three main causes of inefficiencies: procurement; supply chain management; and, health human resource. Improving the transparency and accountability of the health procurement system, including evidence- based specification setting, better forecasting of needs, reduction of procurement time, and encouraging generic and bulk purchasing, will enhance its efficiency. Further, across the entire supply chain system, operational efficiency could be improved by improving storage and distribution of medical commodities, efficient

installation of medical equipment and reduction of wastage. Additionally, allocative and operational efficiency is expected to be generated by improving procedures pertaining to recruitment; deployment; training; motivation; and, retention of health professionals.

To improve the allocative and operational inefficiencies, the government will explore and implement the following main activities:

- Developing national efficiency standards for different levels of health care in both the public and private sector and build the capacity of staffs at all levels;
- Explore options to strengthen and outsource clinical and non-clinical services (including the supply chain management);
- Continue promoting rational drug use and strengthen implementation of auditable pharmacy transaction system;
- Enforcing and assessing human resource and infrastructure productivity at the different levels of the health care delivery system; and,
- Implement different staff incentive mechanism for enhancing efficiency and effectiveness.
- Assess different sources of inefficiency in procurement, human resource for health and supply chain, prioritize and develop mitigation measure and continuously monitor the progress.

Strategic initiative 4: Enhance transparent, accountable and sound resource utilization and financial tracking management system

The linkage between health care financing and financial management is crucial, especially, improving the collaboration and coordination between different units in charge of planning, budget and financing at various levels. In this regard, every effort will be made to better synchronize the Public Expenditure Management/Public Financial Management systems with health care financing reforms. Key areas that need attention are: harmonisation of planning, budgeting and budget execution processes, including producing and disseminating the required financial and audit reports; pooling of funds at the national level; and, streamlining of different fund-flow channels; greater autonomy for health providers, especially for tertiary hospitals, to generate, allocate, and use resources; and, systems and capacities for accounting and financial reporting of budget entities at different health management levels and health facilities.

Two main activities will be prioritized to attain a sound and transparent financial management system:

- Strengthen the linkage between Health Care Financing initiatives and the overall public Financial Management (PFM) system; and,
- Streamline different fund flow channels.
- Identify weaknesses and gaps of health institutions at all level in administering finance and implement the necessary capacity-building interventions.

Strategic Initiative 5: Assess, identify and implement different performance linked strategies to improve efficiency and effectiveness

For attaining an efficient and effective health care service delivery system, the government will explore different result and/or effectiveness linked strategies. Performance linked strategies are expected to enhance the responsiveness and efficiency parameters across the financial planning, utilization and accounting cycle. Each additional results (output/outcome/impact) obtained from the health care service delivery system will be triangulated with the amount of resources budgeted and utilized.

Performance linked strategies increase accountability by empowering clients to 'vote with their visit' and penalize health facilities that do not provide quality client friendly services. To operationalise performance linked strategies, based on evidences and feasibility assessment, mechanisms for appropriate contractual arrangements and verifications systems, including community oversight, will be developed and implemented.

The main activity to operationalize this initiative will be:

- Conduct assessments and if found feasible, develop and implement different performance linked financing mechanisms to improve efficiency and effectiveness of the health care service delivery system.

Strategic Objective 4: Strengthening public-private partnership

Partnership with the private sector could strengthen the health service delivery system at least in four ways: it could improve the quality, quantity and affordability of essential health inputs such as medical supplies by facilitating local manufacturing of pharmaceuticals and medical devices and skilled health human resources; it could improve efficiency of the health sector by enhancing critical management, communication and outreach functions such as supply chain and logistics management, management of laboratory and diagnostics services, maintenance, health communication, delivery of services in remote areas, etc.; it could mobilize additional resources for the health sector; and, it could contribute to meet the increase need for access and utilization of health care (private clinics and pharmacies) and availing of advanced tertiary services. Therefore,

carefully designed and implemented public-private partnerships could not only be useful for improving the quantity, quality, accessibility and affordability of the health sector, it will also enhance efficiency of the sector.

Two strategic initiatives will be prioritized to strengthen public-private partnerships:

Strategic initiatives

1. Improving the enabling environment for Public Private Partnership for Health (PPPH) including establishment of clear and accountable partnership modalities; and,
2. Assessing and scaling up of the on-going partnerships with private- for-profit and private-not-for-profit actors.

Strategic initiative 1: Improving the enabling environment for Public Private Partnership for Health (PPPH) including establishment of simple and transparent partnership modalities

Based on the National and sectoral PPPH frameworks and other private sector partnership and investment modalities, the government will improve enabling environment for the private sector to engage and invest in the health sector for increasing accessibility, affordability and quality of health service in the country.

- The current priority areas which call for the involvement of the private sector through PPPH and direct investment modalities include, but not limited to, are;
    - Expanding tertiary health and diagnostic services;
    - Manufacturing of pharmaceuticals and medical devices;
    - Development of Human resources for health (HRH), where the aim is to set up long-term training arrangements.
- GoE will also continue to use the current mechanisms of engaging with the private sector in outsourcing of non-clinical services and explore and develop other mechanisms and legal frameworks to enable the outsourcing of clinical services as well.

Strategic initiative 2- Assessing and scaling up of the on-going partnerships with private- for-profit and private-not-for-profit actors

Private-for-profit (PFP) and private-for-not-profit (PFNP) actors have made significant contributions to many important public health interventions such as HIV, TB, Family Planning and Malaria

interventions. These partnerships will be further explored from a healthcare financing perspective for scaling them up.

Strategic Objective 5: Capacity development for improved health care financing

Capacity development of the health sector, at different administrative, management and delivery levels, is critical for mobilizing resources, and for the efficiency and effectiveness with which different administrative, management and delivery units deploy resources to identify and address health concerns on a sustainable basis. In addition to enhancing the capacity to improve local ownership, fund mobilization, planning, budgeting, utilization and accounting functions, the capacity development will focus on development and implementation of different legal frameworks, and if necessary national and sub national structures, to accelerate the pace of implementation of the capacity development initiatives, and to carry out objective regular performance review of these initiatives.

Three strategic initiatives will be prioritized under this strategic objective.

1. Improve the health sector's / organizational capacity for Health Care Financing at all administrative, management and delivery levels by improving coordination between all stakeholders;
2. Build capacity to improve transparency and accountability of the sector;
3. Build capacity to identify and apply lessons, local and international evidence.

Strategic Initiative 1: Improve the health sector's / organizational capacity for Health Care financing at all administrative, management and delivery levels

At national level

- **Building organizational and health service delivery system's capacity at national level:** Within the MOH, the responsible unit to coordinate and oversee the HCF strategy implementation, will be well-capacitated and strengthened to coordinate and oversee the implementation of the strategy. The focus of the capacity building will include: development and implementation of legal frameworks, and policy guidelines, development of a skilled human resource, technical assistance to sub-national administrative, management and delivery units, and evidence generation to accelerate progress towards the goals of this strategy.
- **Strengthen MOH capacity in evidence generation and institutionalization of the HCF functions:** Within the directorate, the Health Economic and Financing Analysis unit capacity to generate and apply evidence for implementing the HCF will be strengthened. The unit will be responsible

to generate all the necessary actions that will be taken by the high-level coordination body on HCF and will also lead six-monthly reviews of the HCF strategy. The unit would identify gaps in evidence and regularly generate evidence to present to policy-makers in collaboration with the National Health Care Financing Technical Group (TWG). In this regard, strengthening the HR capacity of both the HEFA unit of the ministry and that of the EHIA is very important.

At sub-national level:

- **Building organizational and health service delivery system's capacity at sub national level:** The capacities of regions and Woredas to lead, manage and implement the HCF agenda at their level will be strengthened. The organizational arrangement of health care financing at regional and Woreda levels will be explored and placed in the appropriate structure in line with the federal arrangement without duplicating the existing organizational arrangements. At the time of this strategy development, a replica of the responsible unit within the MoH is being cascaded to the regional level by considering the existing situation of regions. Also, the Ethiopia Health Insurance Agency has created sub-national institutional arrangements. These arrangements will be reviewed and appropriate integrated sub-national/regional organizational arrangements will be promoted to coordinate and oversee the HCF implementation at regional and lower level.
- An integrated regional level HCF coordination forum, to link and coordinate all stakeholders working in health financing including health insurance, will be established and supported, with a similar mandate to the national HCF TWG. Appropriate structural and functional arrangements will be made, without duplicating the existing armaments, to ensure that the health sector at regional and Woreda levels work in tandem with health insurance branches. To ensure consistency among directives pertaining to revenue generation, pooling and purchasing, all actors engaged in these functions will work closely.

At the facility level:

- At facility level, health facility governance boards (HFGB) will be strengthened. Appropriate and feasible effective incentive mechanisms will be explored and implemented to keep the members interested and accountable.

Strategic Initiative 2: Build Capacity to enhance Transparency and mutual Accountability Actions will be taken to improve transparency and accountability in the sector, including greater beneficiary participation and awareness. Promising local initiatives, which will be disseminated and built on, include:

- Participatory development and use of service improvement plans, as used in different approaches in the social and economic sectors, including options for financial accountability;

- Strengthening awareness and communication through HEWs/(HDA);
- Increasing community involvement in selecting Health Facility Governance Boards, insurance Boards and General Assembly, and selection indigents; and,
- Instituting proven accountability mechanisms and initiatives.

Strategic initiative 3: Build capacity to identify and apply lessons, local and international evidence

A network of training and research institutions working on health financing will be established and supported to ensure that domestic capacity to generate evidence and impart training on heath finance is strengthened. The members of the network may include all relevant universities across the country, relevant health sector directorates, and other relevant government and private sector representatives. The network members will work closely with the HCF Technical Working Group and their responsibilities may include:

- Conducting research to inform the health financing policy, develop practical curriculum on health economics and financing;
- Providing continuous and practical training to develop a pool of competent and effective workforce (leaders and experts) in health financing;
- Training of trainers' short term as well as long term to be able to build the capacity and create learning environment at all level;
- Collaboration with experienced institutions in building the capacity of the health financing reform; and,
- Developing a Monitoring and Evaluation framework to monitor progress of the capacity building program and the impact of new HCF curriculum on learning outcomes.
- Provide capacity building activities to improve the Financial Management System of the health sector
- Tract the performance health care financing related indicators through DHIS-2

Chapter 7: Institutional Arrangement

The major actors of the HCF strategy are policy makers and administrators at Federal Ministry of Health, Regional Health Bureaus, Woreda Health Offices, Public and Private Health Facilities, Health Insurance Agency and its branches, Ministry of Finance, Ministry of Planning and development, Ministry of Women and Social Affairs, Ministry of Revenue, the regional and woreda level counterparts of these ministries, Civil Society Organizations and International and National Development Agencies/Development Partners.

These institutions and interested groups will be actively engaged at all stage of the HCFS cycle (planning, implementation, monitoring and evaluation), stewardship of all major players of the system to move the health financing agenda forward, and for successful implementation of this strategy.

To successfully implement the national strategy, a well-designed institutional arrangement will be put in place. The governance of the HCFS will be scrutinized within the framework of the health sector governance system and the country governance structure. Hence, there will be a strong link between the governance system of the HCF and the main structure of the Joint governance of the Health Sector Transformation Plan such as quarterly Joint Coordination Forum (JCF), monthly Joint Core Coordinating Committee (JCCC), bi-annual Joint Review Mission, Annual joint-Review Mission, Joint Steering Committee (JSC) and other sub nation joint government and partners forums; not be an overlap of functions with the sectors governance.

The HCF Technical Working Group will periodically (at least once in a quarter) feed into JCCC, and the JCCC will feed into JCF. Partnership and Cooperation Directorate will be responsible for: constituting and organising regular meetings of the HCF Technical Woking Group; regularly collecting feedback from facility, woreda, regional levels, and from other stakeholders, and presenting the feedback to the HCF Technical Working Group. The proposed institutional arrangement of the HCF strategy will be strengthened by the following two major initiatives.

Strategic approaches

1. Improve stakeholder coordination and oversight in health financing at different levels
2. Strengthen the National and Sub national level structures for improved health care financing implementation

Strategic Initiative 1: Improve stakeholder coordination and oversight in health financing at different levels

The strategy prioritizes building on existing national and sub national level coordination structures. A detail term of reference how the existing structures will be used to accelerate implementation of the HCF will also be developed.

National Health Care Financing Technical Group

The technical group will be led by MOH and supported by technical experts from MOH, MOF, Ministry of Planning and Development, Ministry of Revenue, Ethiopia Health Insurance Agency, Development Partners, Universities and individual senior experts: the professional composition of the

group would be Public Health, Health Economics, Financial Management, statisticians etc. The role and responsibility of the technical group will include, but not limited to:

a. Technically support MOH in all matters related to the implementation of the HCF strategy especially in monitoring, evidence generation and decision making, and identify gaps and propose measures to be taken regularly to address cragginess and take advantage of emerging opportunities;

b. Support MOH in the development of different legal frameworks, guidelines and other proposals necessary for the implementation of the HCF strategy and advocate for the same;

c. Provide updates on the HCF agenda to the JCCC, JCF and National Health Insurance Agency Board at least every six month;

d. Promote the alignment of partners support in HCF strategy implementation and building the capacity of all stakeholders at different levels; and,

e. Identify the managerial challenges posed by the implementation arrangements of the HCFS and propose options to address the challenges and improve the functionality of the HCF arrangements.

Sub National Level (Regional/City Administration, Zonal and Woreda Level)

A replica of the national technical working group will be formed at each of the sub national levels: Regional/City Administration, Zonal and Woreda Level based on the context of each. The roles and responsibility of each of these structures will also be defined accordingly.

Strategic Initiative 2: Strengthen the National and Sub national level structures for improved health care financing implementation

Ethiopia's institutional and governance environment for health financing is complex with multiple levels and actors. Health financing is an important health system building block, therefore, government at all levels needs to strengthen capacity and structure to manage health care financing activities.

National Level:

The responsibility of coordinating the HCF strategy is vested on Ministry of Health. The responsibilities of the ministry also consist of active resource hunting, enhancing public private partnership, resource mapping, and NGO coordination. The respective work unit of the ministry is responsible for coordinating the HCF agenda with other units of the ministry, regional health bureaus and agencies under the MoH that have a direct influence of their own functions as related to the HCF strategy. The responsible unit will also work closely with the Ethiopian Health Insurance

Service to implement the HCF strategy and actively engage in joint planning, monitoring, implementation review and other critical areas.

Sub national level:

At sub national level, there is a strong need to strengthen the institutional arrangement to make sure that accountability and oversight in Health Care Financing strategy implementation is decentralized including coordination with Ethiopia Insurance Agency branch offices. At regional level, existing arrangements/coordination structures will be used to coordinate the implementation of the HCF strategy, and if need be, a replica of the MoH Partnership and Cooperation Directorate at the sub-national level will created.

Chapter 8: Monitoring and Evaluation

The monitoring and evaluation of the health care financing strategy implementation will be considered as an integral part of the national regular performance reviews and other monitoring and evaluation undertakings.

Although detailed targets to be monitored at activity/inputs and outputs levels will be developed in the HCF implementation plan, the success of the strategy as a whole will be tracked through a small set of higher-level indicators described in the next Table. These indicators will help in assessing Ethiopia's progress towards a fairer and sustainable health financing situation, and towards Universal Health Care.

The following table describes key indicators, data sources, baseline and target values.

Table 1: Health financing performance indicators

S.N	Health financing performance indicator	Guidance (indicative targets)	Baseline	Target (2025)	Target (2030)	Source of information	Remark
Level of funding							
1	Total Health Expenditure (THE) per Capita in US$	Estimates	**33**	**42.2**	**54**	NHA report	Derived by Trend analysis of the performance of the sector from 2000 to 2016 and other national economic factors. (Interpolation Estimation) **
2	General Government Health Expenditure (GGHE) % General Government Expenditure (GGE) (excluding external resources) *	Government Expenditure on health ÷ total government Expenditure	**8.10%**	**10.00%**	**12.00%**	NHA report	Derived by Trend analysis of the performance of the sector from 2000 to 2016 and other national economic factors. (Interpolation Estimation) **
Level of population coverage and equity in health financing							
3	Proportion of eligible households enrolled in Community Based Health Insurance (CBHI)	Membership of CBHI /total Eligible population	**49%**	**80%**	**90%**	Admin report	Target for 2025 is adjusted from HSTP and for 2030 Derived by Trend analysis of the expected performance of the sector from 2015 to 2020 and other national economic factors. (Interpolation Estimation) **
4	Proportion of eligible civil servants covered by Social Health Insurance (SHI)	Membership of SHI /total Eligible population	**0%**	**45%**	**90%**	Admin report	EHIA Plan

5	OPD attendance per capita	Utilization of overall health services per person per year	**0.9**	**1.75**	**2**	NHA/Admin report	HSTP Target 2020 and for 2025 Derived by Trend analysis of the expected performance of the sector from 2015 to 2020 and other national economic factors. (Interpolation Estimation) **
Degree of financial risk protection							
6	Out of Pocket Expenditure (OOP) as a share of total health expenditure (THE)*	OOP ÷ THE	**31%**	**25%**	**23%**	NHA report	Derived by interpolation Estimation (trend analysis) for 2025 and Low Middle income country Target for 2025
7	Incidence of catastrophic health expenditures (% of households which have experienced catastrophic health expenditures)	Estimates	**2.1%**	**1.8%**	**1.5%**	NHA/HICE report	HSTP II Target 2025 and Expert estimation based on poverty elasticity decline
Level of pooling across the health financing system							
8	Percent of donor funds pooled (in SDG PF)	Donor harmonization	**38%**	**50%**	**60%**	Admin Report	HSTP II Target 2020 and for 2025 Estimation based on Resource projection
Derived by interpolation Estimation as uniform year-to-year changes of the variable growth between two available data points							