



Federal Ministry of Health

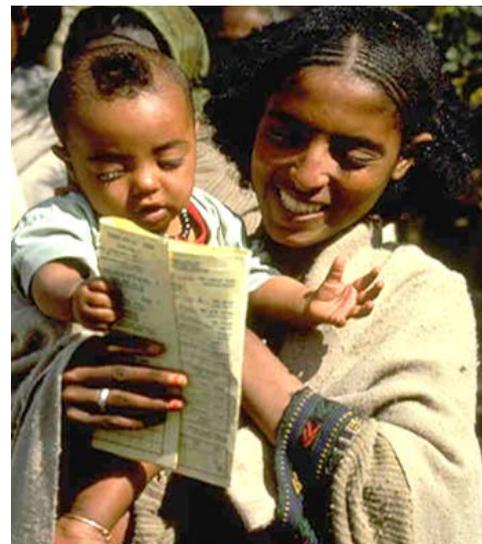
ETHIOPIA'S HEALTH SECTOR:  
**EXCELLENT RETURNS ON  
YOUR DEVELOPMENT  
FUNDING**

FEBRUARY 2013





**Health in Ethiopia has improved markedly in the last decade, with government leadership playing a key role in mobilizing resources and ensuring that they are used effectively. A central feature of the sector is the priority given to the Health Extension Programme, which delivers cost-effective basic services that enhance equity and provide care to millions of women, men and children. Ethiopia's unique MDG Performance Fund provides the opportunity for development partners to finance activities which will bring impressive and sustainable results, at a low risk and with low administrative costs. A particular focus at the moment is to build on recent increases in health care access to improve quality in general, and maternal and newborn health in particular. Read on to find out more about this excellent opportunity to invest in sustainable improvements for millions of Ethiopians.**



## SIGNIFICANT IMPROVEMENTS IN THE HEALTH OF ETHIOPIANS



*“For more than 5 years, Ethiopia’s Federal Ministry of Health has relentlessly followed a vision of supporting community-based health care. The idea was that the only way for one of the poorest countries in the world to improve health services would be to build an operation up from the communities, as opposed to focusing on the top tier of health care—improving major hospitals—and building down. That gave birth to the hiring, training, and the deployment of more than 30 000 health extension workers, almost all women, most of them high-school graduates with 1 year of training, to work in pairs in villages all over this rural nation of 85 million people. Success soon followed. The number of women dying in childbirth decreased. The number of children immunized increased. And the number of families gaining access to clean water soared. Ethiopia had created a model to improve primary health care for others to follow.”*

*The Lancet, Volume 377, Issue 9781, Pages 1907-8, 2011*

Health and health services have improved significantly in Ethiopia since 2000, despite Ethiopia remaining a low-income country. Ethiopia is on track to achieve the under-five mortality and communicable disease MDGs and is making concerted efforts to reduce maternal mortality. Moreover these improvements are taking place in the context of overall poverty reduction – Ethiopia is also on track to achieve MDG 1, with the poverty headcount ratio falling from 45% in 1995 to 30% in 2011.

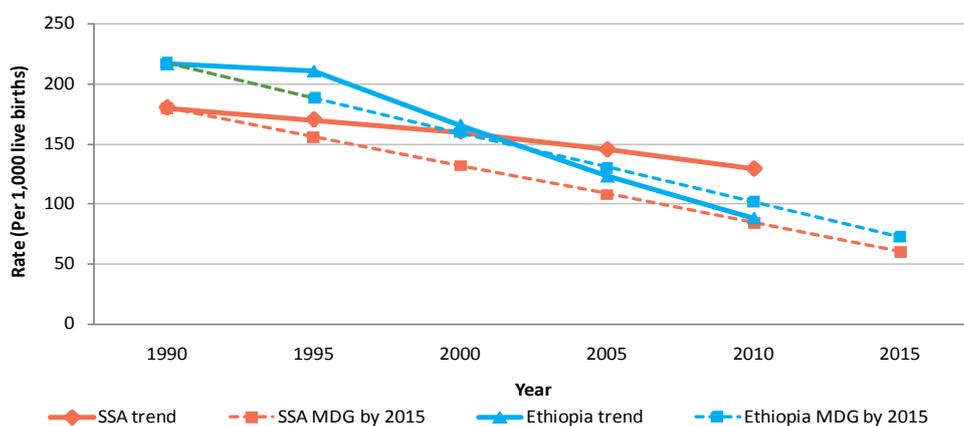


Figure 1: **Under-five mortality rates in Ethiopia and Sub-Saharan Africa**

Figure 1 shows the remarkable story of under-five mortality in Ethiopia since 2000. The thick blue line shows actual child mortality rates – the decline has been greater than what is required to achieve MDG 4 (shown by the blue dotted line). In 1990 under-five mortality in Ethiopia was significantly higher than the Sub-Saharan average (thick red line); now it is significantly lower. Ethiopia has a lower rate of child deaths than other African countries which are significantly wealthier, such as Angola, Cameroon and Zambia.



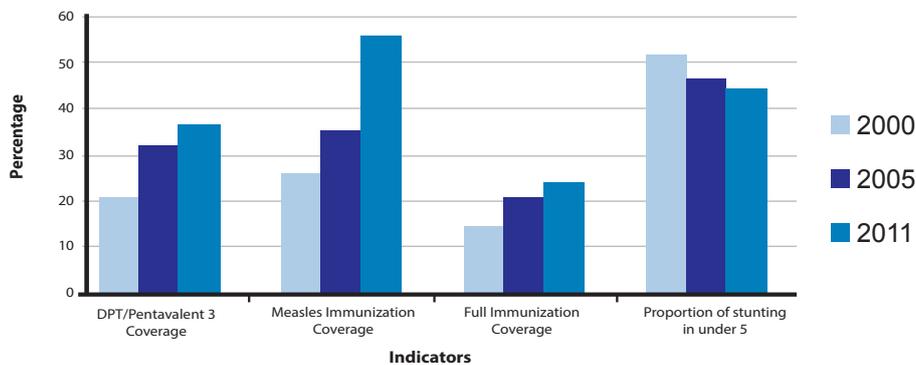
Many factors have contributed to the improved health of Ethiopians. Figure 2 illustrates improvements in immunization and reductions in stunting. Figure 3 shows improvements in contraceptive prevalence, antenatal care and the proportion of deliveries attended by a skilled health worker (though much remains to be done in this area). The total fertility rate dropped from 5.5 in 2000 to 4.8 in 2011; the number of people receiving antiretrovirals increased from 3,880 in 2005 to 247,800 in 2011.<sup>1</sup>

A huge and rapid increase in the numbers of health facilities and health workers contributed greatly to these improvements in health outcomes and service delivery - a very deliberate decision was made to prioritise improved access to basic services in this enormous country. There was a significant infrastructure building programme between 2005 and 2011 which concentrated on rural health facilities. Over 10,000 health posts, 2,000 health centers and 73 hospitals were constructed during this period.

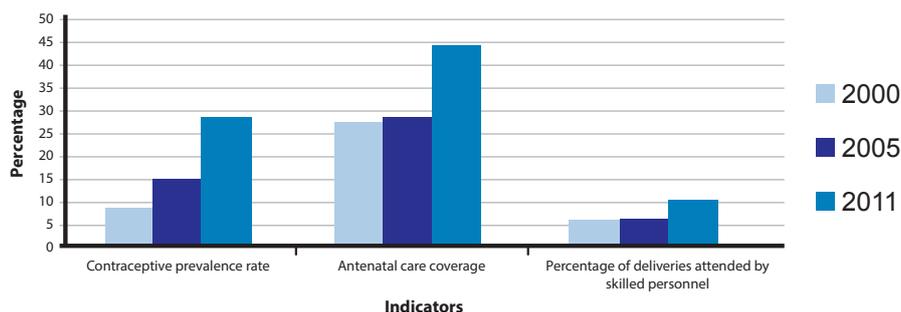
*“Ethiopia has demonstrated that low-income countries can achieve improvements in health and access to services if policies, programmes and strategies are underpinned by ingenuity, innovativeness, political will and sustained commitment at all levels. An example is the development and rapid implementation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

<sup>1</sup><http://data.worldbank.org/country/Ethiopia>



**Figure 2: Child health indicators, 2000-2011**  
 Source: Demographic and Health Surveys (DHS) 2000, 2005, 2011.

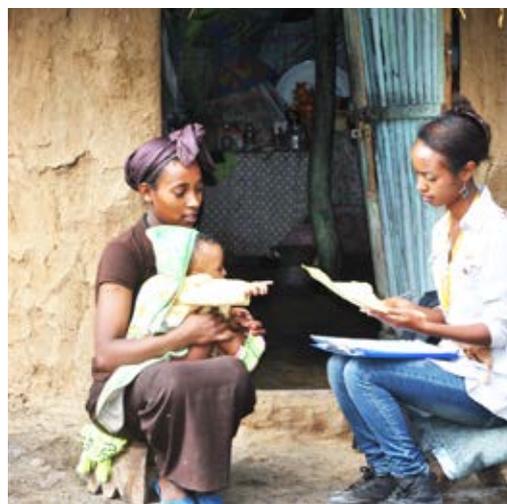


**Figure 3: Maternal health indicators 2000-2011**  
 Source: Demographic and Health Surveys (DHS) 2000, 2005, 2011.



Training centers for health workers expanded greatly from 2004 onwards, resulting in significant increases in health worker numbers. Again, a priority was the provision of basic services, particularly in rural areas. The training – in a period of just six years - of some 38,000 Health Extension Workers who receive government salaries was a particularly notable achievement. The number of midwives also increased rapidly, doubling from 1,000 in 2007 to 2,000 in 2010.

Such radical change in the health sector required strong leadership from the Government of Ethiopia, with a consistent commitment to the large-scale expansion of cost-effective services. This leadership has received much attention internationally. The Lancet published several articles about Ethiopia, saying “Ethiopia has been widely lauded for introducing health reforms that have transformed primary health care in the country.” (See quote on page 1). In 2012, UNAIDS congratulated Ethiopian leaders for reducing the rate of new HIV infections among adults by 90% in 10 years. The Jimmy and Rosalynn Carter Humanitarian Award in 2011 spoke of the “government’s commitment to improving health outcomes”.



*More detailed information about the Ethiopian health sector and how it is funded can be found in “Results and Effectiveness paper on the various Funding Modalities in the Ethiopian Health Sector” (January 2013).*

## EFFECTIVE DEVELOPMENT CO-OPERATION: WHAT IS MOST HELPFUL TO THE GOVERNMENT OF ETHIOPIA?



*“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**

Per capita health expenditure in Ethiopia has more than quadrupled since 1995. For most of the decade of the 2000s, the largest source of funding was international development co-operation. This support was provided in many ways and through many funding channels, including funds provided to the Federal Ministry of Finance and Economic Development (MoFED) and distributed through regular government channels; earmarked funds managed by the Ministry of Health but using donors' procedures; and projects not managed or overseen by the Government of Ethiopia.

The Government of Ethiopia has consistently stated its preference for two particular forms of financial support – the **MDG Performance Fund** and Component 1 of the **Protection of Basic Services** package. Both these financing channels allow decisions about priorities to be made locally and provide opportunities to strengthen government management systems.

Governance of the **MDG Performance Fund** is described in the Joint Financing Arrangement (JFA) signed by the Federal Ministry of Health, MoFED and

development partners; resources are allocated to fill critical priority gaps in the overall health sector plan, using government procedures. The JFA was signed in 2009 by six development partners. There are now nine international partners financing the Fund, with two more in the process of joining it (World Bank and GAVI). The Fund has grown to an annual budget of over \$150 million. Figures 4 and 5 show the growth of the Fund and a breakdown of its expenditure by priority area.

Resources for **Protection of Basic Services** Component 1 (PBS) are distributed by the MoFED to regions and districts based on existing federal resource allocation criteria to fund salaries of public sector workers (including health workers), social accountability activities and some infrastructure development. PBS has been functioning since 2006 and has attracted international funding of over \$2 billion.

Both PBS and the MDG Fund operate according to formally agreed governance procedures and both are regularly scrutinized by external auditors. This means that there are built-in opportunities for mutual

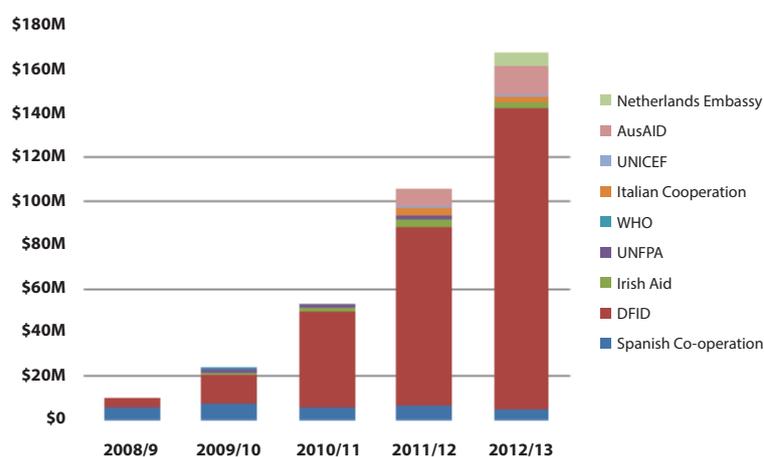


Figure 4: **Contributions to MDG Performance Fund, 2008/9-2012/13 (US \$ millions)**  
Sources: FMOH, Progress and Activity Reports for MDG/PF.

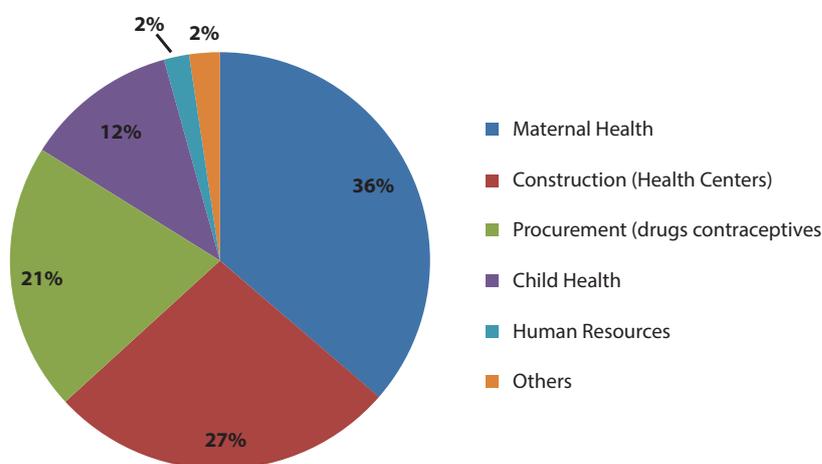


Figure 5: **Spending on priority areas, MDG Performance Fund (2009-12)**  
Sources: FMOH, Progress and Activity Reports for MDG/PF.

accountability and improvement – for example the Joint Financial Management Assessment in 2011 resulted in revised and improved procedures for the MDG Performance Fund. Working closely with other partners in a way that is strongly supported by Government means that this is a relatively low-risk funding modality, compared with setting up separate unilateral systems for management and audit. The governance procedures and external audit are additional safeguards in a sector which emerged well from a major World Bank study in 2012: “corruption in Ethiopia’s health sector is not as pervasive as in other countries or sectors.... The diagnostics strongly suggest that, in Ethiopia, corruption in the delivery of basic services (primary health, basic education, rural water supply, and justice) is comparatively limited and much lower than in other low-income countries.”<sup>2</sup>

There are four main reasons why the Government of Ethiopia regards PBS component 1 and the MDG Performance Fund as the most helpful aid modalities:

- *Lower transaction costs.* Funds can be used quickly and flexibly, using streamlined administrative procedures. Both PBS Component 1 and the MDG Performance Fund are managed at the operational level by government staff; both have clear channels for approving funding decisions. One important transaction cost to government is the demands made by development partners on the time of health service managers and planners – individuals whose skills are in short supply (See box on next page). In this respect the MDG Performance Fund is very efficient, as it works with multiple development partners through one forum and one managerial system.

<sup>2</sup>Plummer J. (2012) Diagnosing corruption in Ethiopia: perceptions, realities, and the way forward. World Bank.



*In my observation, FMOH staff spend too much time ensuring implementing partners' (IPs) support to Government of Ethiopia priorities. Negotiating on government and IP priorities is something that takes time. This is confounded by differences in budget calendar. Once the priorities are agreed with IPs, frequent visits from their headquarters or regional offices and engaging them also take another toll in terms of time. There are more than 80 partners that want such dialogue. If government wants to accelerate a programme in one region, it is also necessary to engage two or three implementing partners in each region to ensure their alignment to the national priorities as there are many IPs working in different areas.*

**Dr. Kesetebirhan Admasu,  
Minister of Health, 2012.**

- *Prioritization.* Funds can be allocated to where they are most needed –high priorities which are receiving relatively little funding from other sources. The Federal Ministry of Health has a proven track record of prioritizing cost-effective basic services, notably the Health Extension Programme and, more recently, maternal and newborn health. This is one of the strongest arguments in favour of funding the government's preferred aid mechanisms – it allows **resources to be allocated according to agreed national priorities.** A review of the Fund in 2012 confirmed the sound prioritization, concluding that every \$1 spent produced \$4.35 worth of benefits to Ethiopia.<sup>3</sup>
- *Use and strengthening of government systems.* The funds use existing government systems and provide opportunities to strengthen these systems. Health service provision relies on the efficient functioning of a number of systems, including human resources, financial management, procurement and reporting. The most effective way to strengthen these vital government systems is to use them and hold them accountable. This avoids many of the problems caused by the use of parallel systems, such as the proliferation of indicators for reporting and the procurement of an array of equipment types, with no systematic arrangements for maintenance contracts and missed opportunities for substantial economies of scale.
- *Predictability of funding is improved.* Predictability is a basic principle of development co-operation effectiveness. It means providing reliable information on likely multi-year funding and disbursing this funding in a timely fashion. Unpredictability causes significant problems because it affects the implementation of annual plans. The MDG Performance Fund and PBS are vehicles for multi-year commitments and help to mitigate the problems caused by unpredictable support.

<sup>3</sup>DFID (2012) Annual review: Support for the Ethiopian Health Sector Development Program (FMOH MDG Performance Fund).

## WHY DEVELOPMENT PARTNERS SHOULD INVEST IN THIS HIGH-PERFORMING SYSTEM



*“.....the highest impact and the best value for money can be achieved by channelling UK support through the Federal Ministry of Health (FMOH) MDG Performance Fund. The Government of Ethiopia systems have a track record of delivery at scale, strong and committed leadership, and relatively sound financial management and little corruption. Support through the FMOH will ensure that progress is delivered across the Health Sector Development Programme priorities, not just one particular issue or disease, and systems and services are strengthened for sustainable improvements.”*

**UK Department for International Development, Support for the Ethiopian Health Sector Development Programme: Business Case, 2011.**



Ethiopia is justifiably proud of improvements in health and health services that have occurred over the last decade, whilst also recognizing the need to maintain progress and tackle maternal and neonatal mortality as a matter of urgency. The Government has a clear preference for certain types of aid modality to support these improvements, specifically the MDG Performance Fund and PBS. These multi-donor aid modalities offer excellent opportunities for funders to support the high-performing Ethiopian health system in the most effective and sustainable way. Both of these mechanisms have been proved to be able to deliver real development results at scale over a short period of time. They both have established systems of governance, management and reporting; both are compatible with international pledges such as the Paris and Busan commitments on effective development co-operation and the International Health Partnership (IHP+); and both provide the opportunity to buy into a high-performing, low-cost and sustainable health system.

As discussed above, one of the advantages of the MDG Performance Fund is that it has low transaction costs for the Government of Ethiopia. Investors in the Fund also benefit from low costs in two ways: administrative costs to the investor are low and the Fund achieves good value for money by procuring commodities at favorable prices.

Administrative costs to the funder are notoriously difficult to quantify, but it has been estimated that the costs of managing a separate project with its own staff and management arrangements can be 15-20% of overall cost. In contrast, the administrative cost of PBS is estimated at 2%, and even less for the MDG Performance

Fund. This is because funders are buying into existing systems.

A 2012 review of the MDG Performance Fund examined procurement in some detail and concluded: “The unit costs paid for by the MDG PF are either cheaper or similar to costs paid for by others or international comparisons, thereby confirming that economy is being achieved through large scale procurement.”

The Government of Ethiopia continues with its ambitious improvements in the health sector – there is every reason to believe that the significant gains of the past decade will continue and that Ethiopia’s performance against the MDG targets will be impressive. Moreover, unlike investments in project-type funding, the results are likely to be sustainable because they are achieved by working through institutionalized systems using health workers who are funded from the government’s budget.



*“As the most direct and integrated, Government of Ethiopia-owned funding mechanism, the MDG Performance Fund is the most effective and sustainable channel for longer-term Australian support.”*

*AusAID Design Summary and Implementation Document in support of the Ethiopia Health Sector Development Program, 2012*

***Health in Ethiopia has improved markedly in the last decade, with government leadership playing a key role in mobilizing resources and ensuring that they are used effectively. A central feature of the sector is the priority given to the Health Extension Programme, which delivers cost-effective basic services that enhance equity and provide care to millions of women, men and children. Ethiopia’s unique MDG Performance Fund provides the opportunity for development partners to finance activities which will bring impressive and sustainable results, at a low risk and with low administrative costs. A particular focus at the moment is to build on recent increases in health care access to improve maternal and newborn health. Working with the Ministry of Health will provide you with excellent value for money – our door is open for discussions with you about the possibilities afforded by the MDG Performance Fund and the Promoting Basic Services support.***





