



RMNCAH-Health Care Financing in Ethiopia



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African Population and
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Countdown to 2030
Women's Children's & Adolescent's Health

Key Messages

Impressive Growth in health expenditure: The nearly quadrupling of total health expenditure from \$844 million to \$3.394 billion is commendable. This growth reflects Ethiopia's commitment to improving healthcare infrastructure and services, which is vital for meeting the increasing health needs of the population.

Increased Government Commitment: The rise in government funding for health to \$858 million demonstrates a positive shift towards prioritizing healthcare in national policy. However, continued efforts are needed to ensure this growth aligns with the rising demands on the health system.

Importance of the Private Sector: The substantial increase in private sector contributions indicates that private providers are becoming more integral to the healthcare system. This trend can enhance service availability and variety but may also necessitate regulation to ensure equitable access for all citizens.

Reliance on External Funding: The significant role of external funding in supporting health initiatives is crucial, especially in resource-constrained settings like Ethiopia. Long-term sustainability will depend on transitioning towards self-sufficient funding mechanisms while maintaining valuable international partnerships.

Trends in Health Financing: The trends in health financing show a complex landscape, particularly with rising out-of-pocket expenditures. This aspect highlights the need for policies aimed at reducing financial barriers to care, ensuring that health services remain accessible to all, particularly the most vulnerable populations.

Primary Health Care Focus: The steady increase in investment in Primary Health Care (PHC) is encouraging, as it is essential for comprehensive and preventive health services. However, the government must also ensure that this investment translates into tangible health outcomes and improved service delivery.

Shifts in RMNCH Funding: The observed changes in RMNCH funding patterns reflect both progress and challenges. While increases in child health and maternal and newborn health funding are positive, the decline in reproductive health funding raises concerns that need to be addressed to ensure holistic health solutions.

Correlation with Health Outcomes: Investing in public health expenditure significantly enhances overall health outcomes, as evidenced by improved life expectancy and reduced mortality rates. Specifically, increasing public health spending correlates with higher life expectancy and lower neonatal and maternal mortality rates, underscoring the importance of sustained investment in health systems to promote community health and well-being.

The Ethiopian Health Care Financing Strategy (2022–2031)

The Ethiopian Health Care Financing Strategy (2022–2031) aims to mobilize adequate resources, reduce out-of-pocket spending at the point of use, enhance equity, efficiency, and effectiveness, strengthen public-private partnerships, and develop capacity for improved health care financing.

Data Sources for this Review : For this analysis we used Global Health Expenditure Database, OECD’s Creditor Reporting System (CRS) (2000 –2022), National Health Account 1995/96 – 2019/20 (8 rounds), Muskoka2 global data base, and World bank /world-development-indicators.

Health Expenditure in Ethiopia

Figure 1 shows the Trends of health expenditure in Ethiopia, 2000-2022. Ethiopia has seen substantial growth in health expenditure over the past two decades, demonstrating a strong commitment to improving healthcare access and quality. Total health expenditure rose from approximately \$844 million in 2000 to about \$3.394 billion in 2022, nearly a fourfold increase. This growth reflects the Ethiopian government’s efforts to expand healthcare services and enhance the health system in response to population needs.

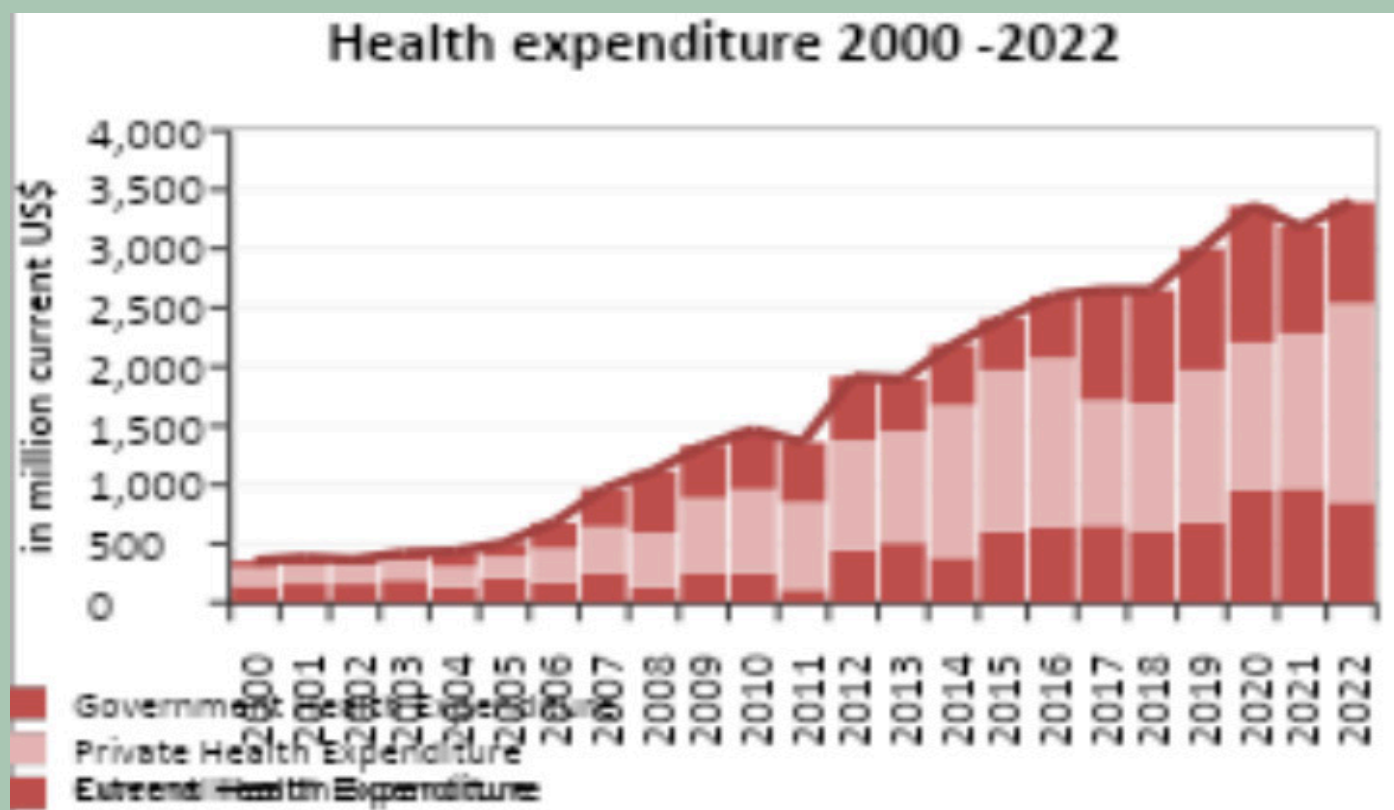


Figure 1. Trends of health expenditure in Ethiopia, 2000-2022

Source: Global Health Expenditure Database

- A key contributor to this increase is the rise in government funding for health, which grew from \$348 million in 2000 to \$858 million in 2022, representing a nearly 2.5-fold increase. This indicates a prioritization of healthcare financing, enabling better service delivery, the establishment of new facilities, and the expansion of essential services.
- The private sector’s role has also significantly expanded; contributions to health expenditures increased from \$359 million in 2000 to approximately \$1.677 billion in 2022. This growth indicates a greater involvement of private providers and investment in healthcare, complementing government efforts and enhancing health system capacity by providing additional resources and options for patients.
- External funding has been essential to support Ethiopia’s health initiatives, rising from \$137 million in 2000 to \$859 million in 2022. This increase highlights the importance of international aid and partnerships in financing health interventions. External funding is vital for implementing health initiatives, improving health outcomes, and building a sustainable healthcare system in Ethiopia.

Trend of Health Financing by Source of Financing (2000-2022)

From 2000 to 2022, the trend in health financing in Ethiopia varied by source. Government contributions initially decreased from 41% in 2000 to 8% in 2010/11, before rising to 25% in 2022. Meanwhile, the private sector's contribution steadily increased from 43% in 2000 to 49% in 2022. However, a significant concern is the high out-of-pocket expenditure, which rose notably from 36% in 2000 to 45% in 2022. Additionally, health expenditure from donor or external sources gradually increased from 16% in 2000 to 25% in 2022, indicating a growing reliance on external funding to support health initiatives (Figure 2).

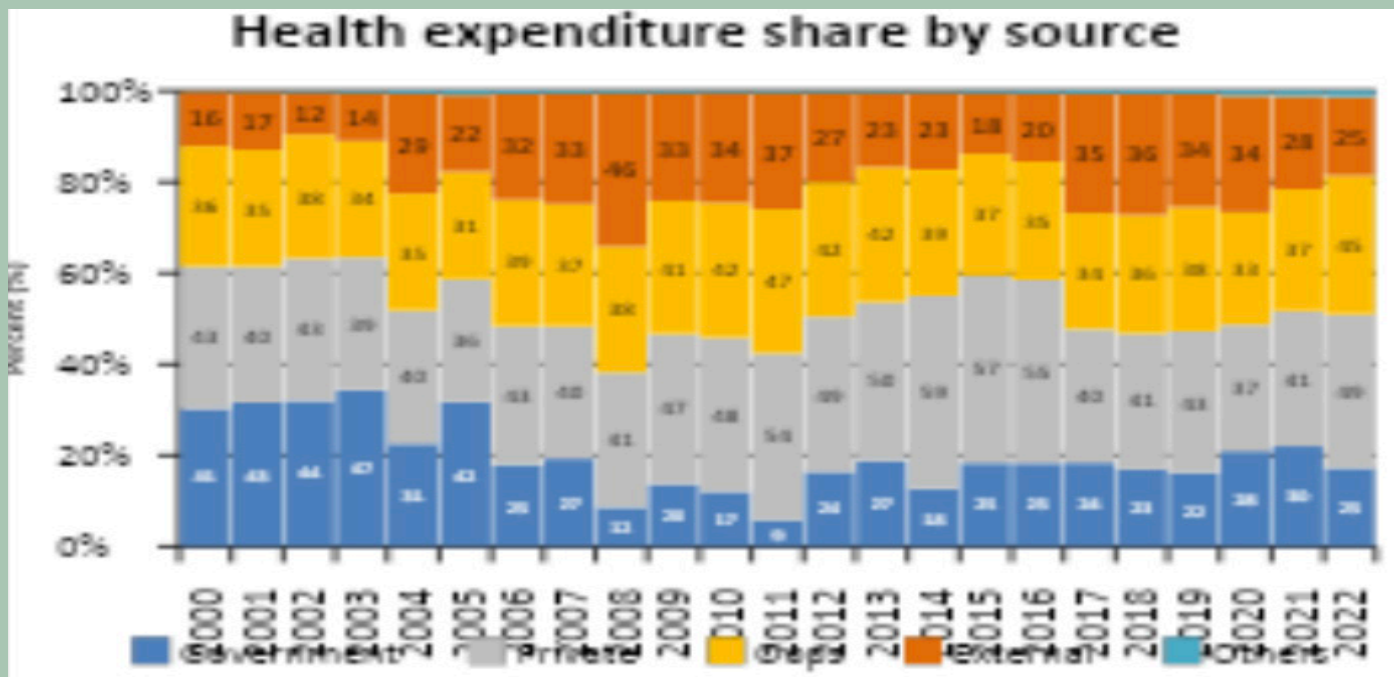


Figure 2. Trends of health expenditure share by sources, 2000-2022

Source: Global Health Expenditure Database

Primary Health Care and Health Care Function Expenditure Profile Ethiopia (2020)

The Primary Health Care (PHC) includes outpatient curative care, dental care, home based care, long term curative care, preventive care, medical goods, governance and, health system & financial administration.

The expenditures on primary health care share for current health expenditure (CHE), showing a steady increase from 75.4% in 2016 to 78.1% in 2020, indicating a positive trend in investment towards essential health services.

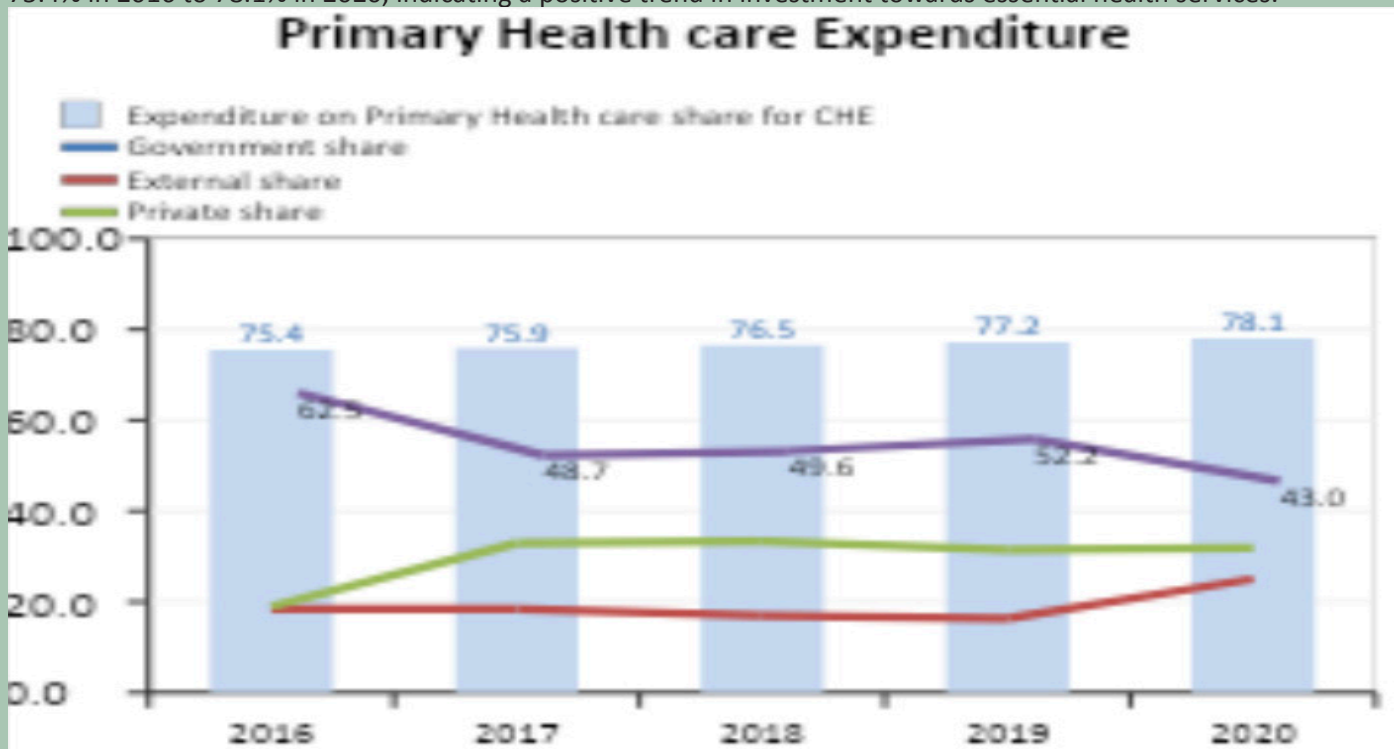


Figure 3. Trends of health expenditure for PHC and share by sources, 2016-2020

Source: Global Health Expenditure Database

- The government share shows a slight increase over the years, rising from 18.5% to 25%. This gradual uptick suggests a growing commitment from the government to finance primary health care, although the increase is modest compared to the overall rise in health expenditures.
- In contrast, the external share increased from 19% to 32% and remains relatively flat. This stability may indicate a consistent level of reliance on international aid and support for funding health initiatives, although it raises questions about future sustainability without significant enhancements.
- The private share, has decreased over this period, from 62.5% in 2010 to about 43% in 2020. This decline might reflect a shift in funding dynamics, with growing public investment potentially reducing the burden on individuals to finance their health care through private means (Figure 3).

Trends in Aid for RMNCH by Type of Aid Flow

The types of financial flow considered in this analysis include Official Development Assistance (ODA) grants, ODA loans, and private development finance. The major portions for all the Reproductive, Maternal Newborn, and Child health (RMNCH) aid flow are through ODA grants.

- In 2022, 72% of RMNCH aid came from ODA grants, down from 95% in 2010, and while private development finances increasing from 4% to 19%.
- Within 2010-2022, total aid for child health rose from \$114.8 million to \$314.7 million, and aid for MNH increased from \$60.9 million to \$127.6 million. However, aid for reproductive health decreased from \$307.5 million to \$205.1 million.
- Among donors consistently reporting both 2010 and 2022, total RMNCH aid increased by 34% from \$483.2 million in 2010 to \$647.5 million in 2022, with child health up 174% and MNH up 110%, while reproductive health saw a 33% decrease.

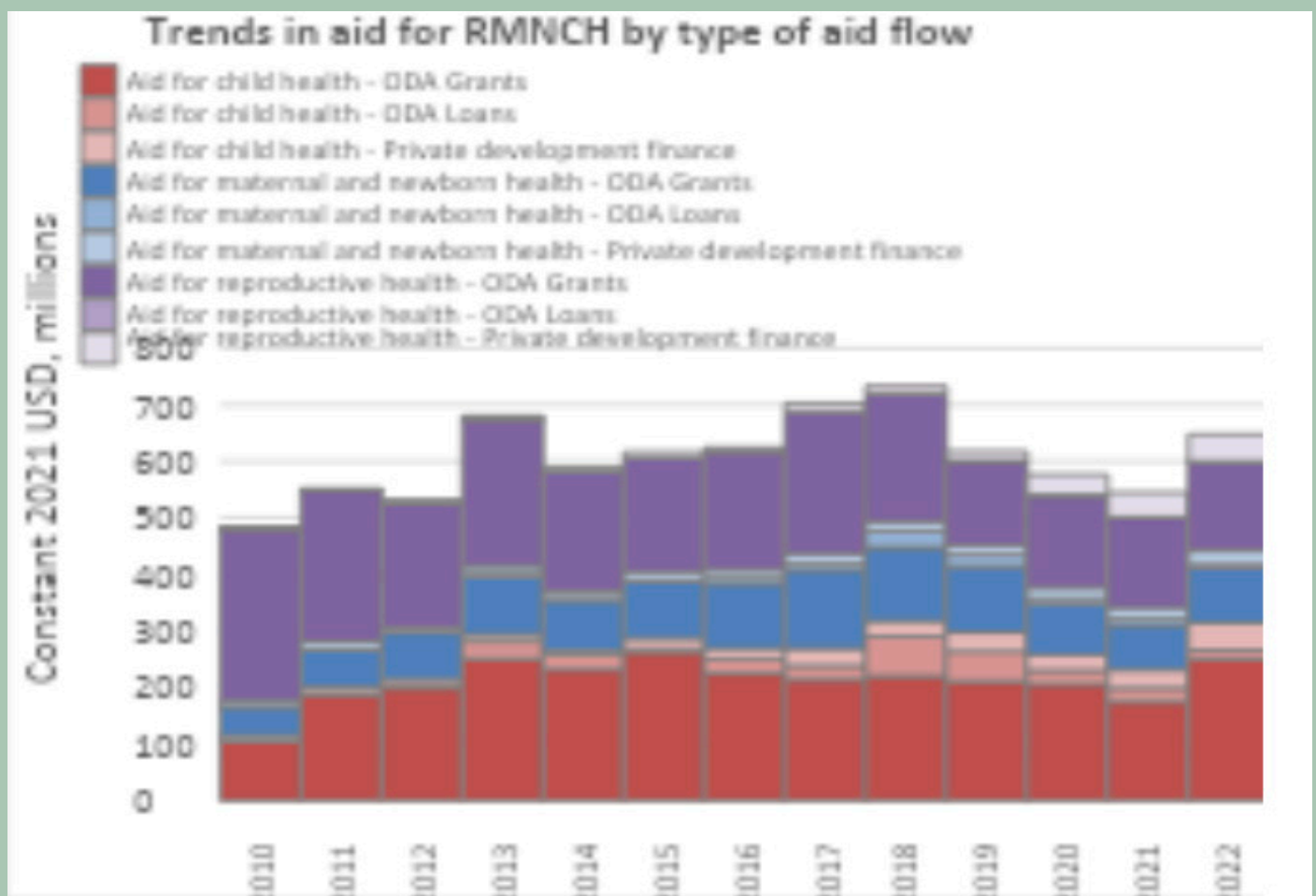


Figure 4. Trends in aid for RMNCH by beneficiary group and type of aid flow, 2010-2022

- Ethiopia received \$668.6 million in RMNCH aid in 2010, increasing to \$844.2 million by 2022. Funding for child health rose from 17% to 31%, and maternal and newborn health (MNH) increased from 9% to 15%. However, funding for reproductive health dropped from 46% to 27%.
- From 2002 to 2022, RMNCH funding grew at an average annual rate of 2.8%. Child health funding increased by 14.5% per year, MNH by 9%, while reproductive health funding declined by 2.8% from 2010 to 2022.

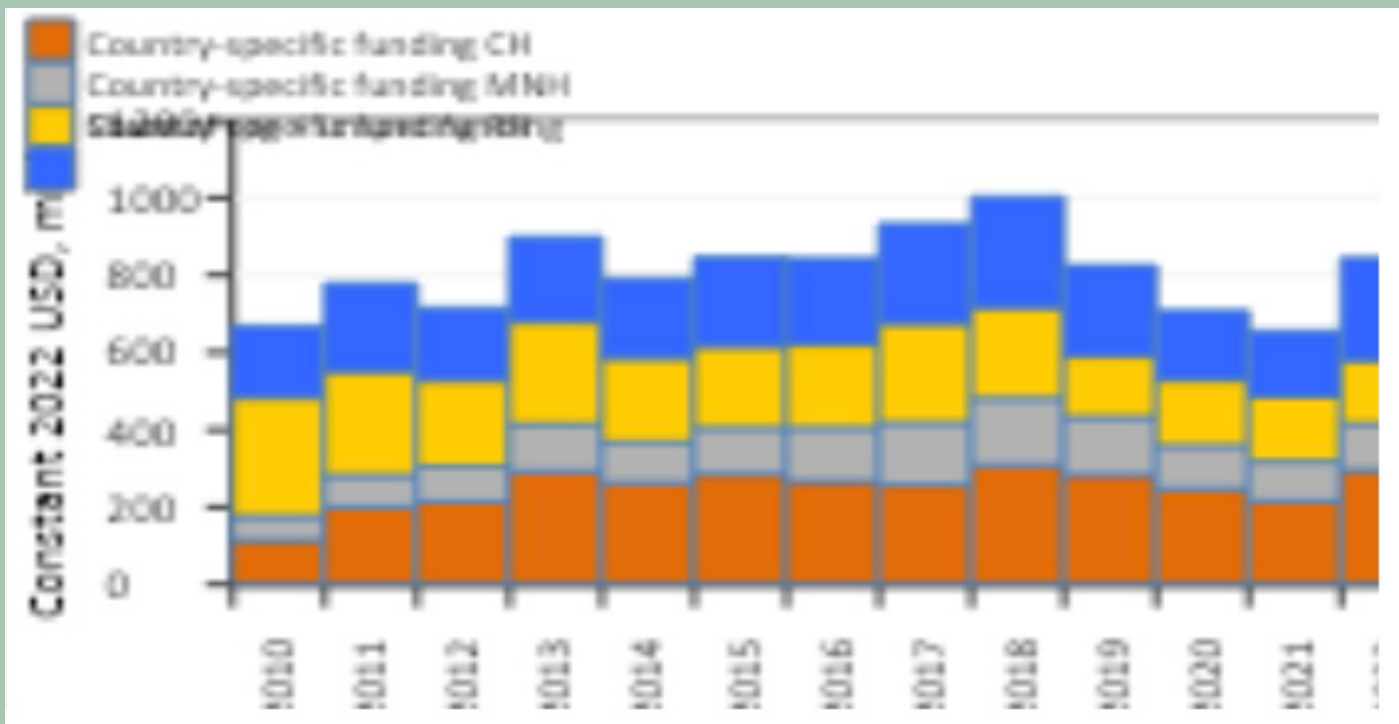


Figure 5. Trends in aid for RMNCH, 2010-2022

- Among donors reporting for both 2010 to 2022, aid for child health increased from 24% (\$114.8 million) to 51% (\$114.8 million) received half of all aid for RMNCH. Aid for maternal and newborn health increased from 12.6% (\$60.9 million) to 20.6% (\$119.5 million). However, aid for RH decreased from 63% of all aid for RMNCH (\$307.5 million) in 2010 to 28% (\$164.7 million) in 2022 (Figure 6).

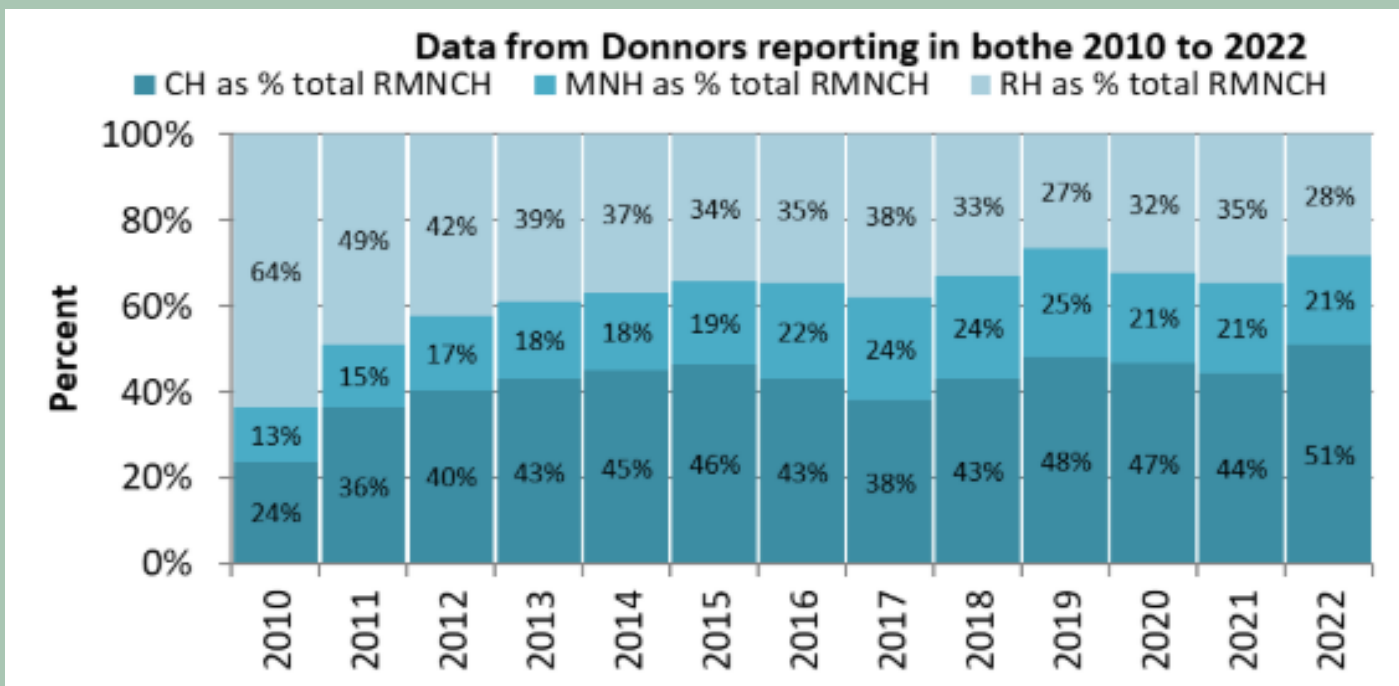


Figure 6. Share of CH, MNH, and RH from aid for RMNCH, 2010-2022

Trends in aid for RMNCH by Purpose, 2010-2022

Among donors reported in both 2010 to 2022, in 2010 aid directed towards HIV/AIDS comprised the largest share of aid for RMNCH (60% of total; \$291 million), followed by basic health care (9%; \$45 million), and reproductive health care (8%; \$38 million). In 2022, aid for HIV/AIDS and control of infectious diseases share 19% each followed by basic nutrition , accounted (11%, \$62.3 million) (Figure 7).

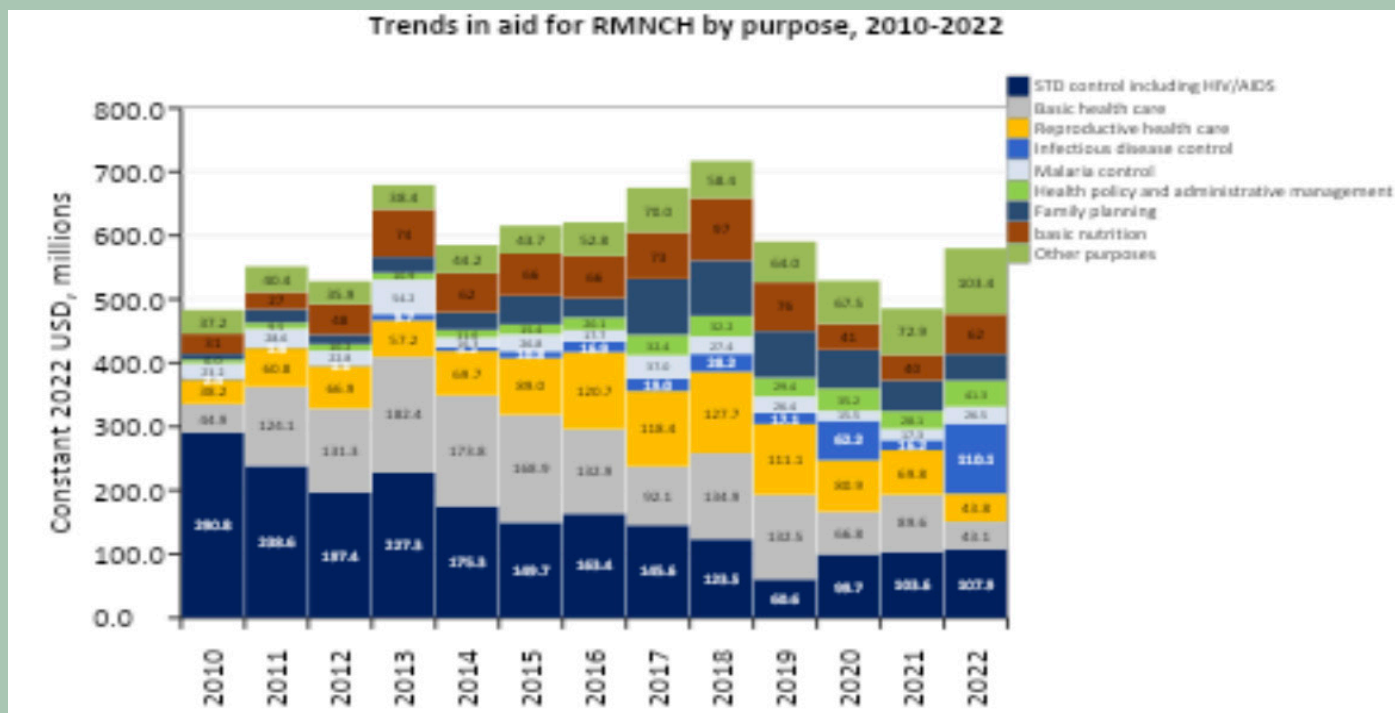


Figure 7. Trends in aid for RMNCH by purpose, 2010-2022.

Trends in Aid for RMNCH by Donor Type

In 2010, most of the aid was bilateral \$332.5 million, followed by multilateral \$191.7 million, and private \$27.2 million. While in 2022, the major aid is multilateral \$291.8 million followed by bilateral \$231.8 million (Figure 8).

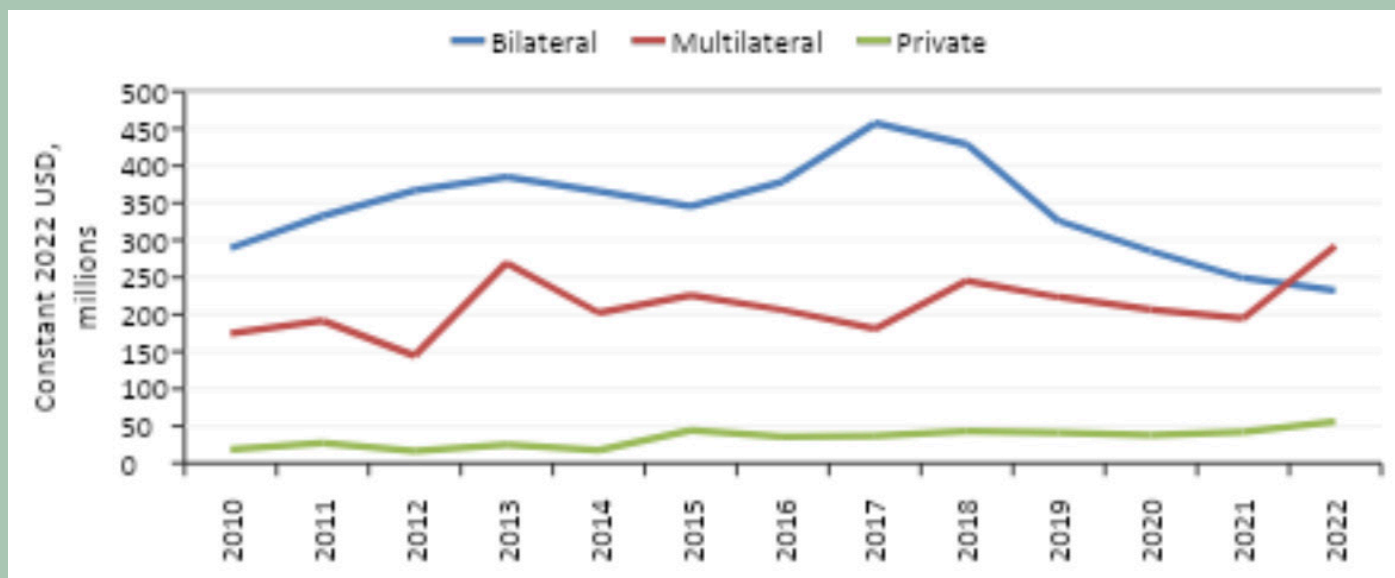


Figure 8. Trends in aid for RMNCH by donor type, 2010-2022.

Aid for RMNCH Per Relevant Population

The share of aid for RMNCH received showed decline in recent years. For example the aid for child health per child in 2010 is \$7 and raised to \$19 per child in 2013 and no major change until 2018 then declines to \$ 12 per child in 2021 and then increases to \$16 per child in 2022.

While aid for RH declined from \$15 in 2010 to \$5 per woman in 2022.

Aid for MNH per birth increased from \$4 in 2010 to \$10 in 2018 then declined to \$7 in 2022 (Figure 9).

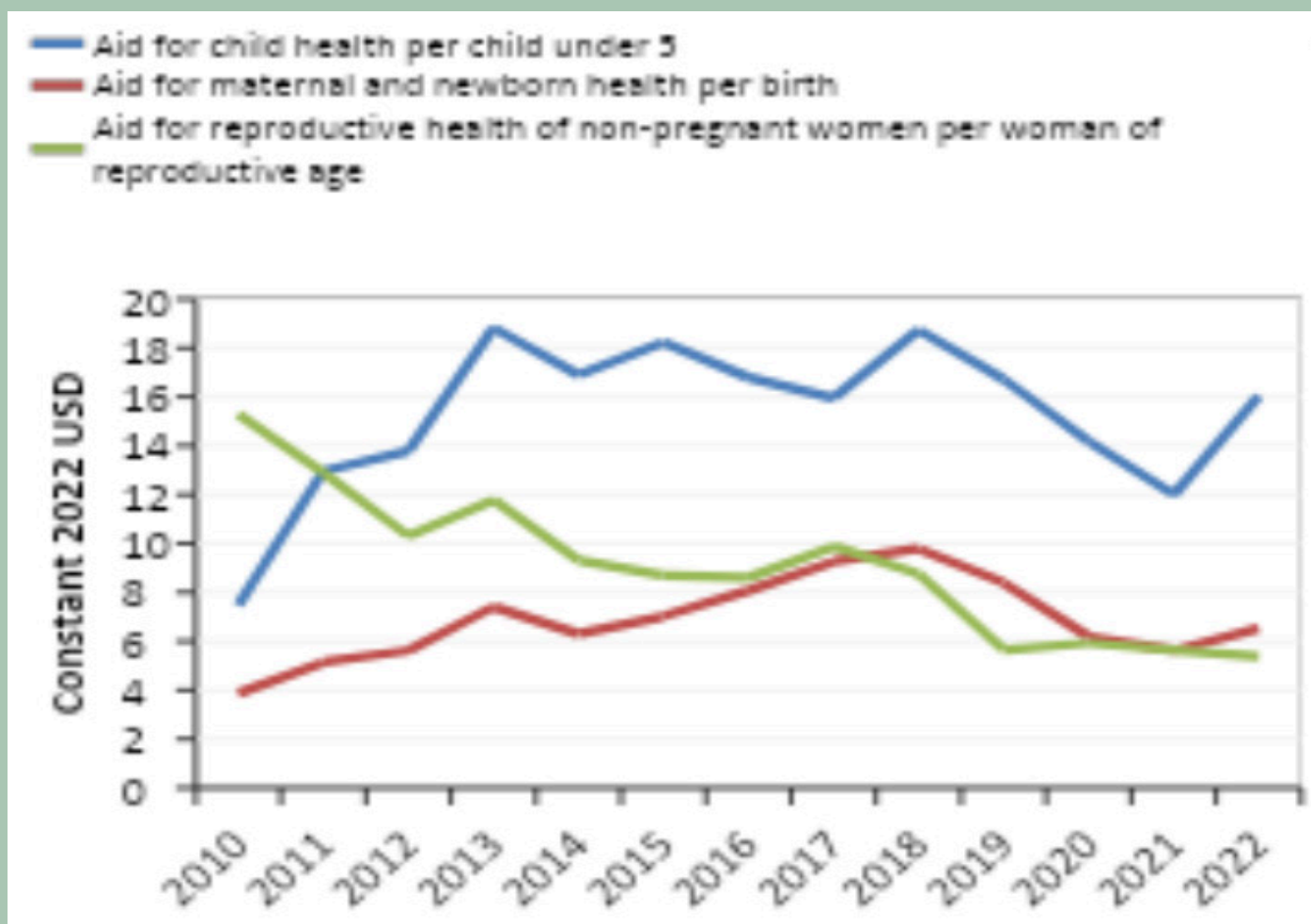


Figure 9. Aid for RMNCH per relevant population, 2010-2022

Trends in Aid for RMNCH by Donor, 2010-2022

The major contributor in 2010 for RMNCH is USA (\$212.1million, 44% of all aid for RMNCH), global fund (\$132.6 million, 27%), and United Kingdom (\$24.3 billion, 5%). In 2022, USA (\$126.1million, 22% of all aid for RMNCH), International Development Association (\$109.3 million, 19%), global fund (\$90.9 million, 16%), Global Alliance for Vaccines and Immunization (\$82.0 million, 14%), and Bill & Melinda Gates Foundation (\$56.4 million, 10%) (Figure 10).

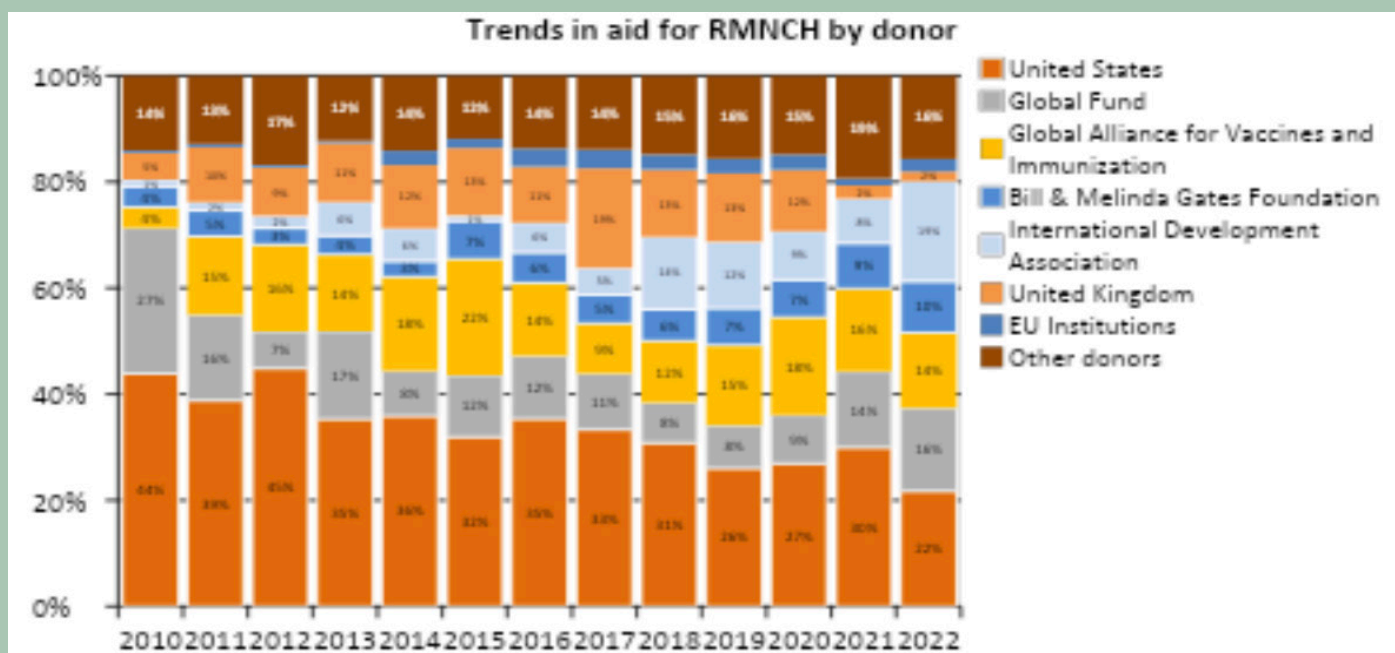


Figure 10. Trends in aid for RMNCH by donor, 2010-2022

Correlation between Life Expectancy, Mortality and Public health Expenditure, GDP per Capita, and Total Health Expenditure Per Capita

Table 1: Trends of Health outcomes and health expenditure 2000 -2022/23

Indicators	2000	2010	2020	2022	2023
Life expectancy at birth, total (years)	50.9	59.7	65.9	66.9	67.3
Fertility rate, total (births per woman)	6.65	5.28	4.27	4.08	3.99
HIV prevalence (%)	2.7	1.4	0.9	0.8	
Maternal mortality ratio (per 100,000 live births)	870	619	244	207	195
Mortality rate, infant (per 1,000 live births)	92.2	59.3	39.6	37	35.7
Mortality rate, neonatal (per 1,000 live births)	47.8	38.7	29.7	28.1	27.4
Mortality rate, under-5 (per 1,000 live births)	140.4	83.2	52	48.2	46.5
Birth rate, crude (per 1,000 people)	45.59	36.57	33.31	32.41	31.9
Death rate, crude (per 1,000 people)	14.68	8.98	6.4	6.09	5.96
GDP (current million US\$)	8242.3	29933.8	107657.7	126772.7	8242.3
GDP per capita (current US\$)	122.27	330.62	905.31	1011.07	1272.02
Current health expenditure (% of GDP)	4.37	5.47	3.48	2.85	
Current health expenditure per capita (current US\$)	5.29	16.17	28.28	27.07	
Public health expenditure (% of CHE)	41.23	17.27	28.23	25.27	
Public health expenditure (% of GDP)	1.8	0.94	0.98	0.72	
Public health expenditure (% of general government expenditure)	7.03	5.11	6.79	5.68	
Private health expenditure (% of CHE)	42.52	48.29	37.32	49.42	
External health expenditure (% of current health expenditure)	16.26	34.44	34.45	25.32	
External health expenditure per capita (current US\$)	0.86	5.57	9.74	6.85	
Out-of-pocket expenditure (% of CHE)	35.96	42.29	33.08	44.6	
Out-of-pocket expenditure per capita (current US\$)	1.9	6.84	9.35	12.07	

- The graph shows a strong positive correlation between life expectancy and public health expenditure (PHE), GDP, and health expenditure per capita. An increase of 1 unit in PHE per capita is associated with a 2-point increase in life expectancy.
- There is also a strong correlation between PHE and mortality rates, including neonatal and maternal mortality. A 100-unit increase in PHE per capita is linked to a reduction of 258 neonatal deaths per 1,000 live births.
- Improvement in PHE, GDP, and total health expenditure (THE) per capita correlates with a decrease in the maternal mortality ratio (MMR). Specifically, an increase of 1 unit in PHE per capita results in a reduction of 94.6 points in MMR

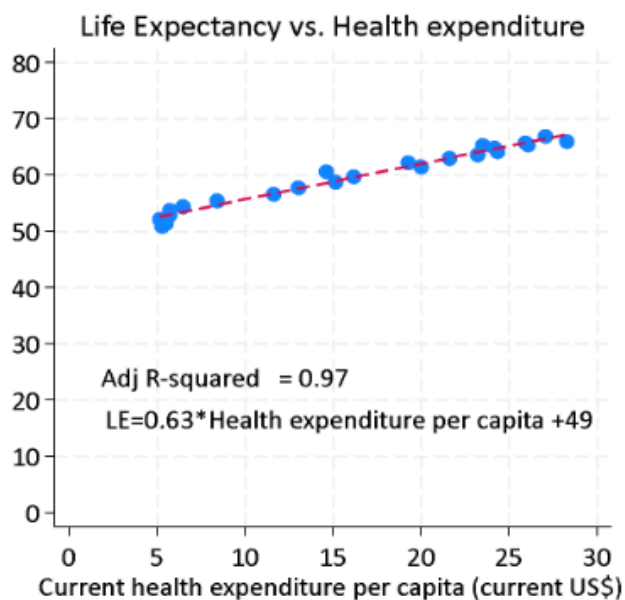
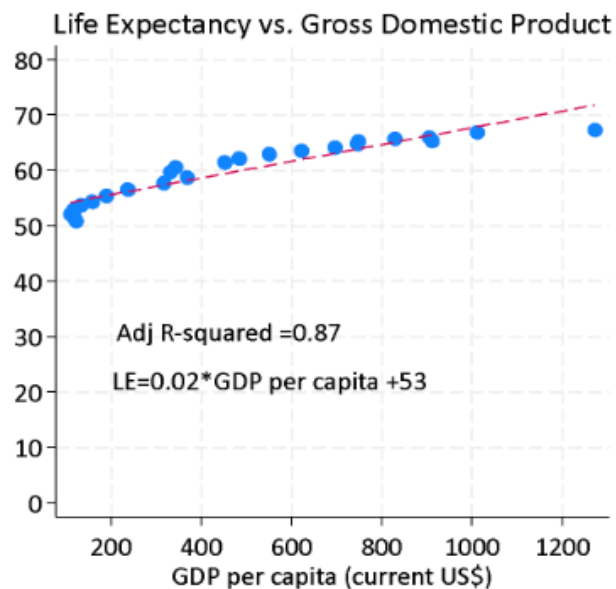
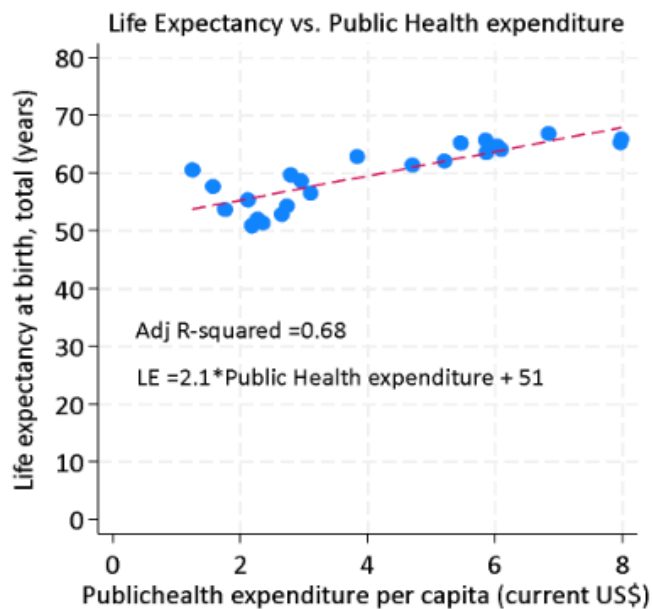


Figure 11: Correlation between Life expectancy and PHE, GDP government health expenditure per capita

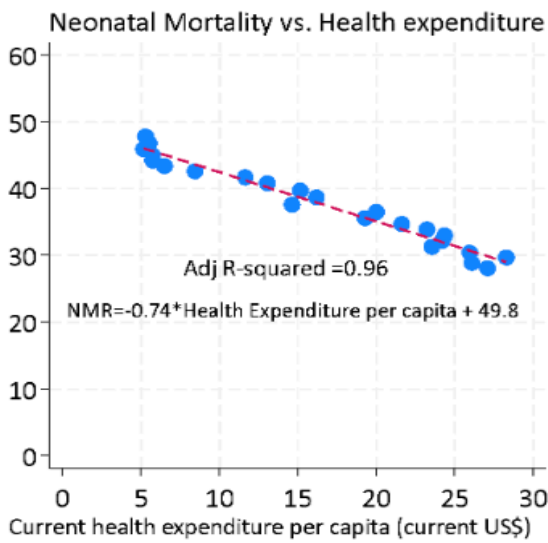
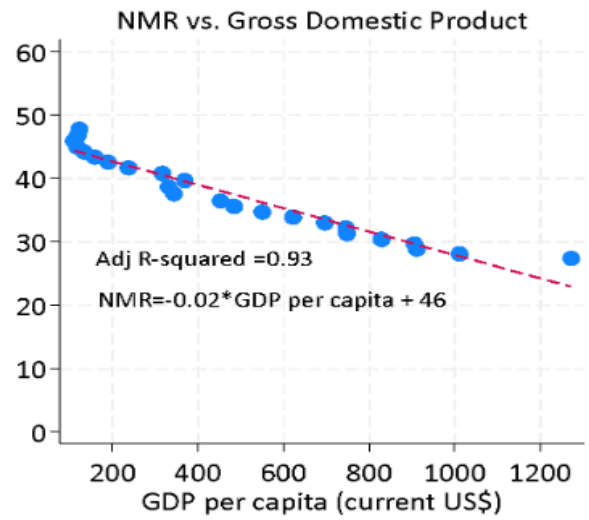
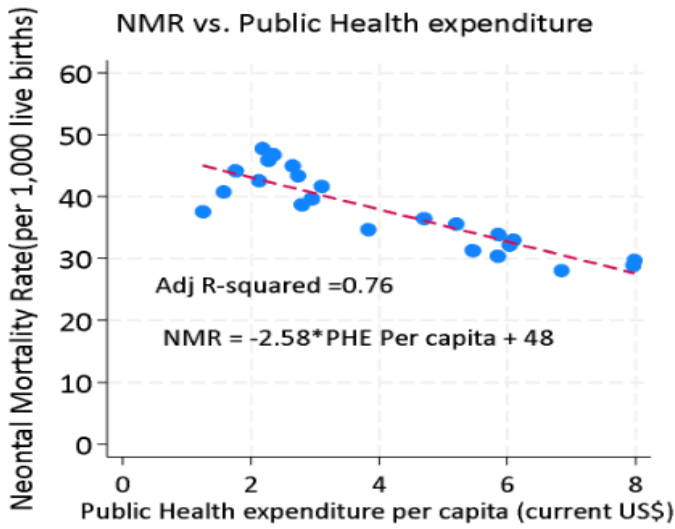


Figure 12. Correlation between NMR and PHE, GDP, health expenditure per capita

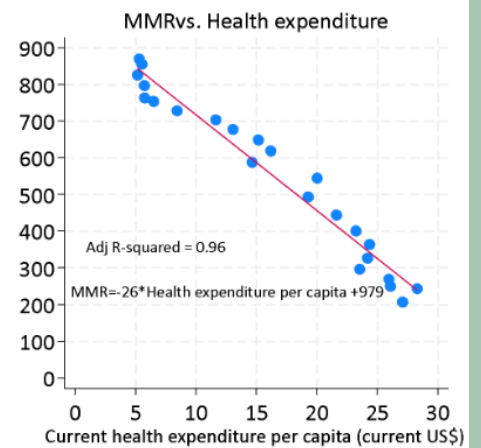
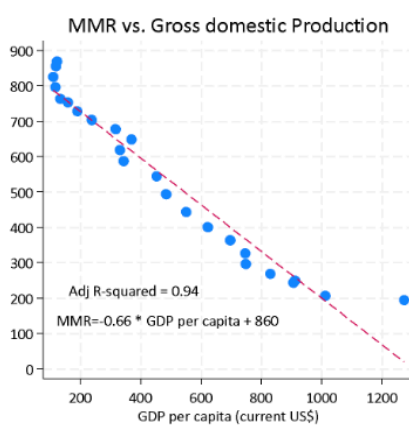
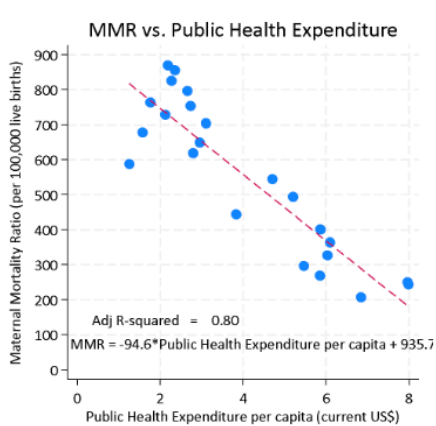


Figure 13. Correlation between MMR and PHE, GDP, health expenditure per capita

Recommendations for Improving Health care financing in Ethiopia

Ethiopia's health expenditure trends highlight both significant advancements and areas requiring further attention. Continued focus on innovative financing strategies, equitable access to services, and effective use of resources will be essential for fostering a resilient and responsive healthcare system that meets the needs of its people. Here are the main recommendations:

- 1. Enhance Budget Allocation for Health:** Increase government health expenditure beyond \$858 million to further prioritize health initiatives. Establish a clear trajectory for budget increases to align with national health goals and enhance the overall health system capacity.
- 2. Strengthen Public-Private Partnerships:** Foster collaboration between the public and private sectors to diversify funding sources and improve service delivery. Develop frameworks for private sector engagement that ensure equitable access and quality care across all communities.
- 3. Expand Universal Health Coverage (UHC):** Implement strategies to reduce out-of-pocket expenditures, which rose to 45%. Introduce UHC initiatives that minimize financial barriers and ensure that all citizens have access to essential health services, particularly for vulnerable populations.
- 4. Monitor and Evaluate Health Programs:** Establish robust monitoring and evaluation systems to assess the effectiveness of health expenditure and programs. Utilize data-driven approaches to inform decision-making and allocate resources where they are most needed.
- 5. Diversify Funding Sources:** Seek innovative financing mechanisms, such as social health insurance and community-based health financing, to reduce reliance on external aid. Empower local governments and communities to contribute to healthcare funding, enhancing sustainability.
- 6. Focus on Preventive Health:** Invest more in primary health care and preventive services, ensuring that essential services are accessible and effective. Expand community health programs that promote maternal and child health, infectious disease prevention, and nutrition.
- 7. Enhance Health System Capacity:** Train and equip healthcare workers to improve service delivery. Allocate resources for the construction and maintenance of health facilities, particularly in underserved rural areas, to enhance access to quality care.
- 8. Targeted Funding for Reproductive Health:** Address the decline in reproductive health funding by prioritizing investments aimed at enhancing reproductive health services. Integrate these services into broader health programs to improve maternal and newborn health outcomes.
- 9. Engage International Partners:** Strengthen partnerships with international organizations and donor agencies to leverage aid for health initiatives. Coordinate efforts to ensure that funding aligns with national health priorities and fills critical gaps in healthcare delivery.

Suggested citation:

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Additional information about the Ethiopian Health care financing can be obtained from the Ethiopian Public Health Institute (EPHI), Gulele Arbegnoch Street, Gulele Sub-City, Addis Ababa, Ethiopia. Telephone: +251.11.275.4647; Fax: +251.11.275.4744; Website: <http://www.ephi.gov.et>.

Information about the Countdown to 2030 can be obtained from website: <https://www.countdown2030.org/>.