

The areas of tension in Ethiopia's health sector are many and relate to challenges in all health system building blocks. These tensions include inequalities in access to affordable care, low quality of services and health data, low staff-motivation, high drug stockouts, lack of strategic purchasing mechanisms and financial resources at facility level, and limited capacity of district health offices to play their key regulatory role.

The implementation of Performance-Based Financing (PBF) has demonstrated promise in addressing these tensions and strengthening the Ethiopian health system. In 2015, Cordaid and the Oromia Health Bureau first piloted PBF in Borana zone, Oromia region. This successful pilot phase, with the support of the Netherlands Embassy, led to the expansion of PBF to Jimma zone in 2019, and North-Achefer District, Amhara Region in 2022.

The implemented PBF initiatives in Ethiopia, in a cost-effective manner, resulted into substantial improvement in the access to and quality of essential services, the reliability of health data in the DHIS2 system, staff motivation, and health governance (especially at district and zonal levels). These achievements laid the groundwork for the PBF institutionalization journey: integration into the Ethiopian Health System Transformation Plan (HSTP II) and health financing strategy. Building upon the successful experiences, in October 2023, the Ministry of Health started the implementation of a ministry-led PBF pilot in three additional regions.

The expansion of PBF highlights its increasing recognition as a solution to the areas of tension in Ethiopia's health system. The lessons learned from these experiences will contribute to ongoing efforts to insure the right to quality healthcare for all. Cordaid and the Ethiopian health authorities have acquired valuable insights into the most effective modalities for implementing PBF adapted to the country's context, holding promise for the future by enhancing access to quality healthcare and addressing key system challenges.