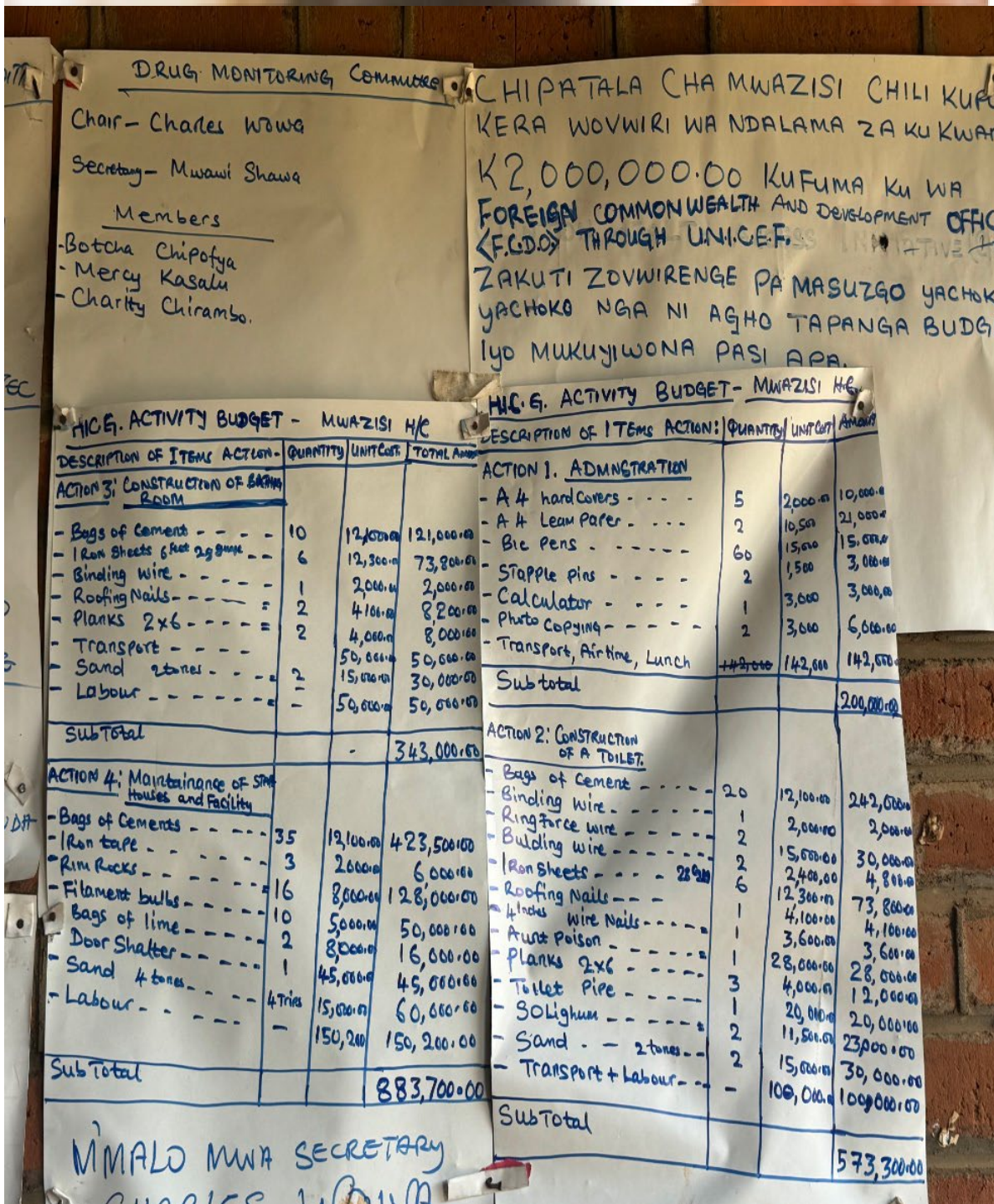
Improving Financing Arrangement for Primary Health Care in Malawi Ministry of Health

Presented By Government of Malawi at CABRI Policy Dialogue : PFM An Enabler of Greater Health Facility Autonomy: 27th August 2027, Mauritius

Statement of Problem

Inequitable and limited financial resources trickling down to primary healthcare facilities (1).

- Primary healthcare facilities (2) do not receive funds (3) directly from the district or central level, instead receive resources in-kind from districts, upon placing an order with the district level.
- The current arrangement limits the autonomy of facilities to plan and forecast their needs, budget, execute funding, and monitor expenditures.



(1) The relevance and significance of the problem was validated through engagements held by the team with 3 District Health Officers (DHOs). There is no proper documentation or record keeping at the district or facility level on the size of in-kind or cash support given to facilities

(2) The facilities of primary focus are health centers

(3) This assignment primarily focuses on other recurrent transactions (ORT) funds to districts and does not include funding for drugs and personnel emoluments (PE)

Why does this matter? PHC financing is critical to promote equitable access to high quality integrated services while minimizing financial hardships

- It **limits the effective functionality of facilities –** due to the unpredictability of funding for basic operations and maintenance of facilities
- **Some facilities are left with very low allocations, which is not based on any clearly defined parameters,** due to excessive discretion given to the District Health Office (DHO) with regards to the definition of the different allocations
- **The current arrangement has the potential to lead to hospital-based acquired infections and consequently child and maternal mortality,** as primary healthcare facilities are not able to respond rapidly and efficiently to provide quality needed health services to most of the population who reside in rural areas and who have higher poverty rates
- **Limited community engagement in planning, budgeting and implementation** – communities served by government facilities do not receive timely and transparent information about budgetary allocations and execution, which limits their capacity to hold facility managers accountable.
- **Lack of materials demoralize health workers**, which result in poor service delivery.

Factors affecting implementation of direct facility funding in the health sector

Using the problem-driven iterative adaptation approach – FISH BONE – that narrowed down to DFF the following issues/bottlenecks were raised for consideration as the Government pursues efforts to reform PHC financing:

1. Fear of financial mismanagement at the facility level and how it will be managed
2. Skepticism on the availability and adequacy of backstopping services from the center – both finance and medical.
3. The question of whether there would be enough workload at the facility to require dedicated staff domicile there.
4. The argument around creation of cost centers for health facilities vs the requirements for a facility to attain cost center status from Treasury
5. Fears about the ability of Malawi's currently constrained revenue generation capacity to sustainably raise the required funds to support predictable direct funding to facilities.

Key lessons learnt for the implementation of DHFF in Tanzania

1. Health facility autonomy brings efficiency; create space where health facilities can perform independently
2. Availability of enablers e.g. standard operating procedures and guidelines (cost sharing, digitization etc.) brings consistency, predictability and order in management of DHFF
3. Digitalization is key and avoids inefficiency in the system at all levels
4. Better Planning and community involvement in the process yields better results
5. DHFF Implementation is a process that gets refined along the way; learn in course of implementation.
6. Community empowerment across the Public Finance management cycle is key in enhancing transparency and accountability.

Lessons from the Education Sector

1. **The implementation of DFF need not be conditioned on the "cost center argument"** – for it is possible to implement DFF without making facilities cost centers, as is the current case with several primary schools which are receiving PSIG although they are not cost centers
2. With capacity building, e.g., basic training on accounting, facility staff (such as teachers) and communities can effectively manage and account for public funds
3. There are already existing capacities from District Officers (such as District Education Managers Office) to provide the necessary backstopping services for devolved facilities
4. Ongoing financial developments in Malawi support facilities to open bank accounts within their respective district centers
5. The implementation of DFF needs to be accompanied by supporting frameworks such as resource allocation formulae to be used to objectively and transparently allocate resources across facilities.

DFF GUIDELINES

- To this effect DFF guidelines have been developed by a taskforce comprising government and development partners stakeholders

- The guidelines explain what is expected from stakeholders regarding facility planning, Resource Allocation formula, funding disbursements and utilization, financial accounting and reporting, audit, risks and mitigations, capacity building, and monitoring and supervision.

Key DFF principles

DFF is designed to be an enabler for the broader HSSP III reform agenda. The 11 "game-changer" reforms in the HSSP III are intrinsically interconnected, as the health system must be thought of holistically rather than in siloes. The DFF reform is, therefore, not a standalone initiative but meant to be an enabler for the broader HSSP III agenda.

Community ownership and empowerment are critical enablers for the success of DFF: The Health Centre Management Committee (HCMC) should be involved in health facility planning sessions and ultimately approve the health facility plan to increase community engagement and ensure ownership, which will facilitate the proper utilization of DFF funds.

District Councils will remain cost centres, but funding will be channeled to health facility bank accounts via the District Council. As health facilities do not currently qualify to be cost centres under Malawi's public financial management framework, District Councils will remain the cost centre and will subsequently channel the funds to health facility bank accounts.

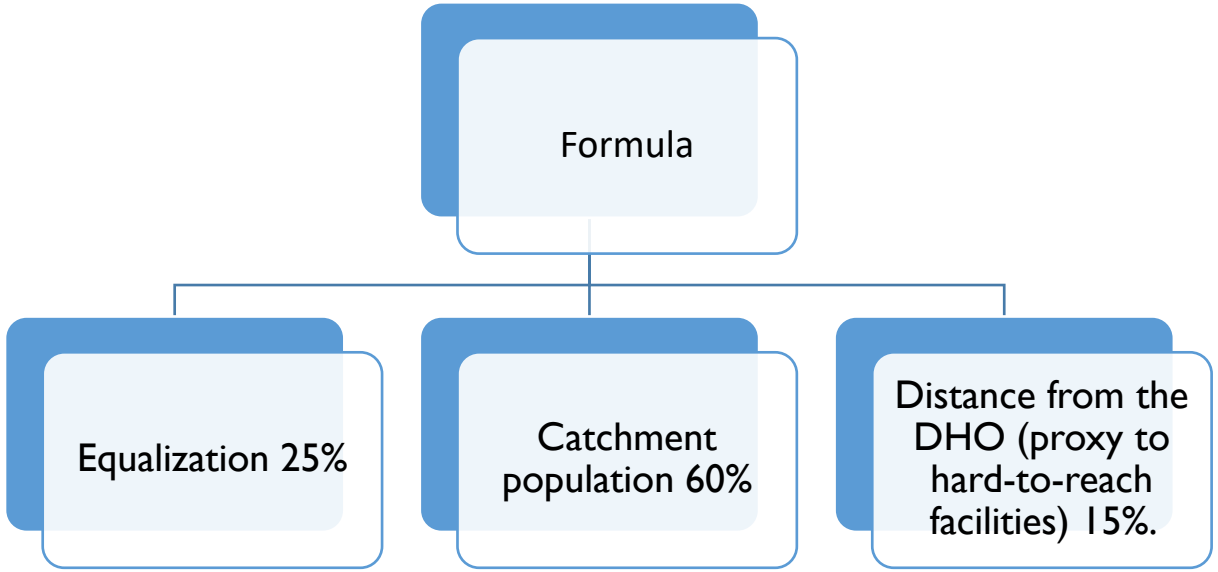
All district-level implementing partners are expected to contribute to DFF

All DFF interventions must be accompanied by effective capacity-building at the District Council and health facility level

The initial implementation of DFF is meant to be a step towards greater facility autonomy over time

DFF Intra-district Resource Allocation Formula

- An intra-district resource allocation formula allows for a systematic and data-driven approach to resource allocation, ensuring that funding is distributed based on the actual healthcare needs of each area within the district.
- The formula promotes transparency and accountability in the allocation process.
- The intra-district resource allocation formula enables evaluation and monitoring of the effectiveness of resource allocation decisions.
- In addition to the above grants for health facilities, 10% of the total DFF budget is proposed to be allocated to the District Council and 10% of the facility grant to administration costs for health facilities
- Guided by the NLGFC formula, the district allocation formula will consider the equalisation, catchment population, and distance from the facility to the DHO



Role of Different Stakeholders for DFF Reform & Bottenecks

Government	• MOH-Spearheaded the DFF reform, focusing on improving financial management in health facilities & Resource Mapping • MOF -Budget allocation
Donor Partners and CSO	• Technical Assistance • Advocacy for DFF reforms
Health Facilities	• HCMC actively involved in identifying their financial needs and designing implementation strategies for DFF
Communities	Community input was sought to ensure that the needs of patients and service users were reflected in the financing reforms
Multi stakeholder Efforts toward DFF Reform Required	Communication, successful engagement, and robust coordination across government ministries.
Bottlenecks	• Not yet: BUT we have buy in at all Levels

Lessons from donor-funded DFF pilots

1. • Community involvement and Oversight - providing reports to chiefs and free/cheap labour
2. • Trainings, Capacity Building and Meetings : refresher courses with HCMCs to ensure their efficacy:
3. • Supervision visits and Feedback by DHMT
4. Transparency and honesty in funds management, Team Work and Good Relationships (unity)
5. Spending Flexibility: Facilitate to be flexibility to spend the funds throughout the disbursement period
6. • The DFF has unlocked the PFM environment in Rumphi &Other District Health offices

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5 die in Kam'mwamba road accident

JONATHAN PASUNGWI, STAFF REPORTER

Five people have died while five others are undergoing treatment at Lisungwi Community Hospital in Neno after two vehicles they were travelling in collided near Kam'mwamba Trading Centre on the M1 in the district.

Neno Police spokesperson Austin Kamwendo in an interview yesterday said the accident occurred after the driver of a Honda Fit hatchback vehicle registration BZ 2105 reportedly lost control and hit a Hijet pick-up that had eight people on board.

He said the Honda Fit, whose driver is at large, was coming from the Chingeni/Phalula direction heading towards Zalewa with two passengers on board.

Kamwendo said upon arrival at Kandoje, few kilometres

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PHOTOGRAPH: MALAWI POLICE

The mangled wreck of one of the vehicles involved in the accident

Govt reacts to call to probe airline, venture

—National P2

HOSPITALS TO GET DIRECT FUNDING

PHOTOGRAPH: NATION

Mndolo: It will help hospitals' operations

- Ministry of Health piloting new system in Rumphi
- Health centres, community hospitals to benefit

JONATHAN PASUNGWI STAFF REPORTER

Ministry of Health is introducing direct facility financing (DFF), a system that will see the country's public health facilities including health centres start getting public funding directly from the Treasury.

In an interview yesterday, Ministry of Health Principal Secretary Samson Mndolo said the new system which is currently being implemented in Rumphi in the pilot phase, is targeting all primary level facilities such as health centres and community hospitals.

He believed that the DFF will help to improve health facility operations as it will streamline the flow of funds, reduce administrative overheads and allow resources to reach facilities more quickly

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Chakwera for improved AIP

—National P3

CHOLERA PREVENTION TIPS

Wash your hands often with soap and safe water.

What's On and Way Forward.

- From 2025/26 HFs will access DFF funds from a pool of donor funds under the Health Services Joint Fund through the District Councils
- From 2025/26 the Government will introduce Health Funds which will disburse funds to DFF account. HFs will receive funds directly from the Treasury
- Going forward, MOH to work toward the pooling of donor and government funds to be directly disbursed to the health facilities
- For cost-effectiveness MOH is advocating online training and not face-to-face. However, training of downstream structures will continue through physical contact


Thank you.
Reflections.
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80
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SYS.
DIA.
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START
STOP
SET
MEM
Energizer