RESULTS FOR DEVELOPMENT

Building Integrated Systems for Financing Essential Medicines and Other Health Products → From Silos to Systems

Why financing, supply chains, and market shaping must come together to secure sustainable access in low- and middle-income countries

Universal Health Coverage (UHC) depends on reliable, affordable access to essential medicines and health products, particularly at the primary health care (PHC) level. In many low- and middle-income countries (LMICs), fragmented financing, siloed supply chain management, and limited use of market shaping tools undermines access.

A recent multi-country assessment by Results for Development (R4D), supported by the Gates Foundation, highlighted common challenges across Ghana, Ethiopia, Tanzania, and Nigeria: disjointed financing flows; weak links between forecasts and budgets; delayed disbursements caused by public financial management (PFM) bottlenecks; fragmented procurement; multiple uncoordinated price points; limited price intelligence; provider payment systems de-linked from procurement prices; siloed data; and parallel donor-driven processes. These misalignments fuel inefficiencies, stockouts, arrears, and high out-of-pocket costs for patients.

LMICs urgently need to align financing, supply chains, and market shaping, while mainstreaming donor-driven processes into domestic systems to ensure sustainability, affordability, and equity.

WHY ALIGNMENT MATTERS

Financing, supply chains, and market shaping are interdependent levers for ensuring reliable and affordable access to medicines and health products. When aligned:

- Budgets reflect real demand and financing gaps, strengthening advocacy and ensuring essential medicines and other health products are funded at required levels.
- Procurement is adequately funded and timed, enabling pooled purchasing and stronger negotiations.
- Market shaping strategies use market intelligence and government leverage to negotiate and influence prices and ensure adequate supply of high-quality products.
- Provider payments are timely, aligned with procurement prices, and structured to incentivize affordable access.
- Data visibility improves across financing, supply, market shaping, and service delivery to manage stocks, adapt to market fluctuations, and prioritize financing more responsively.

Without alignment, inefficiencies persist — budgets are delayed, procurement happens at inflated prices, facilities lack liquidity, patients pay out-of-pocket, and policymakers lack actionable data. Donor-financed commodities for HIV, tuberculosis, malaria, vaccines, nutrition, and maternal and child health continue to flow through parallel systems, complicating the landscape. Alignment is therefore not just technical but strategic, especially for countries moving toward domestically financed systems.

Country Spotlight: Tanzania

Tanzania mobilizes diverse financing resources for essential medicines and other health products through government budgets, the donor-supported Health Basket Fund (HBF), the National Health Insurance Fund (NHIF), the Community Health Fund (CHF), and user fees. Yet these financing flows are not reconciled with forecasted demand, making it difficult to track total investment or financing gaps.

Public financial management and provider payment delays leave the Medical Stores Department (national public pooled procurer - MSD) and health facilities without liquidity to procure the medicines they need at the best prices. Procurement and pricing are fragmented: MSD catalogue prices, NHIF tariffs, and unregulated private markets operate without harmonization. Facilities often face losses when provider payment rates do not match MSD catalogue prices, creating arrears and undermining sustainability.

Although Tanzania has advanced data systems to track planning, budgeting, financing, and service delivery, it lacks an integrated data-use plan combining key indicators — including inflation, exchange rates, and borrowing costs — for a comprehensive view of access.

Donor-financed commodities for HIV, tuberculosis, malaria, vaccines, nutrition, and maternal and child health also remain in parallel co-financing streams, separate from domestic systems.

These challenges highlight the need to:

- Reconcile financing flows with demand.
- Address liquidity constraints.
- Defragment procurement and pricing.
- Strengthen pricing transparency and regulation.
- Build integrated data systems.

TOWARD ALIGNED DOMESTIC FINANCING SYSTEMS FOR ESSENTIAL MEDICINES AND OTHER HEALTH PRODUCTS

These systemic issues point to the need for more aligned policies and domestic systems that link financing, supply chains, and market shaping. Concrete steps at the country level include:

- Develop a harmonized domestic and donor financing framework for full visibility and alignment.
- Map flows of funds for essential medicines and health products and their interaction with procurement, pricing, and provider payments.
- Link forecasts to budgets so quantification drives realistic allocations.
- Address public financial management bottlenecks and quantify costs of delays.
- Assess how provider payment mechanisms affect facility behavior, and access, and align procurement prices with provider payment rates to prevent hidden costs to patients.
- Strengthen price governance and negotiation capacity.
- Optimize provider payment mechanisms to influence behavior and improve facility budget allocations.
- Analyze how market conditions — such as supply availability, inflation, exchange rates, capital costs, and local manufacturing — affect financing and supply performance.
- Integrate data systems across financing, procurement, and service delivery.
- Align donor-financed commodities with domestic processes to strengthen national ownership.

These actions to improve alignment can be accelerated through global action to build a robust, coherent field of health commodity financing:

- Developing cross-functional expertise to design integrated reforms.
- Building the evidence base to guide better aligned policies across health financing, market shaping and supply chain functions.
- Using peer learning platforms to share lessons and accelerate reform.

CONCLUSION

LMICs cannot afford siloed approaches, especially in this moment of tighter budgets and governments being asked to do more with less. Tanzania's experience illustrates both the risks of fragmentation and the opportunity to mature systems through alignment of financing, liquidity, procurement, pricing, and data. Investing in the emerging field of commodity financing will help countries ensure financing reflects real needs, supply chains are reliable, and market-shaping tools secure fair prices.

As donor support decreases, LMICs must lead by articulating their opportunities and challenges, while development partners provide platforms for shared learning and co-creation to strengthen sustainable, integrated systems for essential medicines and other health products.

Authors: Zohra Balsara, Cheryl Cashin, Agnes Munyua, Bhavya Gowda, Esubalew Demissie, Felix Obi, Gemini Mtei, Jeremiah Ilo, Maame Amo-Addae, Marian Opoku-Agyeman, Pili Mmbaga, Yosef Alemu

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