

CASE REPORT

Transitioning from Donor-Financed to Publicly Financed Health Systems: Key Insights from the Puntland Health Financing Conference 2025

Adam A. Mohamed^{a*}, Amal Ali^a, Said A. Mohamoud^a, Mohamed Abdullahi Assair^a, Jama M. Da'ar^a, Asia Abdirizak^a, Abdirisak M. Artan^b, Ayan Ahmed Mohamoud^a, Abdi Gele^c

^aSave the Children International-Somalia Programme, Garowe, Puntland, Somalia, ^bDepartment of Public Health, Ministry of Health, Puntland, Somalia, ^cDepartment of Research, Norwegian Institute of Public Health, Oslo, Norway.

ABSTRACT

Fragile and conflict-affected settings often rely heavily on external assistance to maintain health systems, leaving them vulnerable to geopolitical shifts and donor fatigue. Puntland State of Somalia exemplifies this challenge, with over 90% of its health sector historically funded by international donors. In response to growing concerns over aid reductions and the sustainability of health services, the Puntland Health Financing Conference 2025 convened a broad array of stakeholders, including government officials, international donors, diaspora representatives, private sector actors, and community members, to discuss pathways toward sustainable, publicly financed health systems. This commentary summarises the conference discussions, highlighting the current financing landscape, the roles of key actors, and strategies proposed to reduce donor dependence. Recommendations emphasised expanding domestic revenue mobilisation, leveraging diaspora contributions, strengthening public-private partnerships, and formalising community-based health financing mechanisms. The commentary also explores political feasibility, implementation challenges, and potential timeframes, drawing lessons from comparable fragile states. Insights from the conference underscore the importance of integrated, locally led financing frameworks in enhancing health system resilience, equity, and sustainability in Puntland and similar contexts.

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Background and Context

Health systems in fragile and conflict-affected states face persistent barriers in delivering reliable services, and Somalia exemplifies the profound effects of decades of political instability, economic limitations, and recurrent humanitarian crises on public health. The country's health sector has historically depended on international assistance to finance essential services, including infrastructure, capacity building, and service delivery, provided by organisations such as the United States Agency for International Development (USAID), United Nations Children's Fund (UNICEF), World Health Organization (WHO), and various non-governmental organisations [1, 2].

While this external support has been indispensable, it is often unpredictable, fragmented, and insufficiently aligned with local priorities, resulting in inequities in access to care and gaps in system sustainability. In Puntland, this reliance on external aid has been particularly pronounced, with more than 90% of public health sector expenditures historically financed through donors. Recent announcements of significant budget reductions by USAID, as well as aid reductions from other traditional donors such as the United Kingdom, the Netherlands, France, Germany, and Sweden, have highlighted the vulnerability of this model and created uncertainty

regarding the continuity of essential health services [3, 4].

Puntland also contends with ongoing structural challenges, including limited institutional capacity, inadequate infrastructure, widespread poverty, and the compounded effects of climate-related hazards such as droughts and flash floods. These factors exacerbate the population's vulnerability and strain health services.

Government investment in the health sector remains constrained, with the 2024 allocation amounting to approximately USD 1.24 million. This minimal contribution underscores the challenges in expanding fiscal space for health while meeting the growing demand for services, particularly in maternal, child, and nutrition care, as well as immunization and emergency preparedness [5].

Puntland Health Financing Landscape

The health financing landscape in Puntland is characterized by multiple streams, including government allocations, donor funding, diaspora contributions, private sector investment, and out-of-pocket expenditures by households. Most external assistance has historically supported essential health services under the Essential Package of Health Services (EPHS), as well as disease-specific interventions often termed vertical programs, which target particular health issues such as immunisation campaigns, nutrition support, or disease control initiatives, operating separately from broader system strengthening activities. These vertical programs, while effective in addressing specific health challenges, have often operated independently of broader system-wide strategies, highlighting the need for coordinated financing approaches.

These trends illustrate the combined effects of donor

fatigue, shifting international priorities, potentially weak institutional absorptive capacity, and management of external resources at the local level. Many of these externally funded projects are scheduled to conclude by the end of 2025, with only the Community Health and Social Accountability Project (CHASP) expected to continue beyond this date. Domestic health financing has not expanded sufficiently to compensate for these reductions. Health remains a relatively low priority in state budget allocations, with combined spending on education, health, and water comprising less than 5% of the overall budget, reflecting constrained fiscal space and competing priorities such as security expenditures.

The Government of Puntland allocates approximately USD 1.24 million to the health sector annually. This represents only 0.04% of the state's GDP (3.38 billion USD). Although this constitutes 1% of the annual government domestic revenue (124 million USD), expressing it as a share of GDP illustrates the extremely small scale of public financing for health, highlighting the state's high dependence on external aid and limited fiscal space for domestic health investment. Despite these constraints, local communities have demonstrated resilience by establishing and managing clinics with NGO support and informal financing mechanisms, particularly in rural and semi-urban areas. These community-driven efforts highlight the potential for greater local involvement in health system management and financing, suggesting a foundation for more integrated and sustainable approaches to public health.

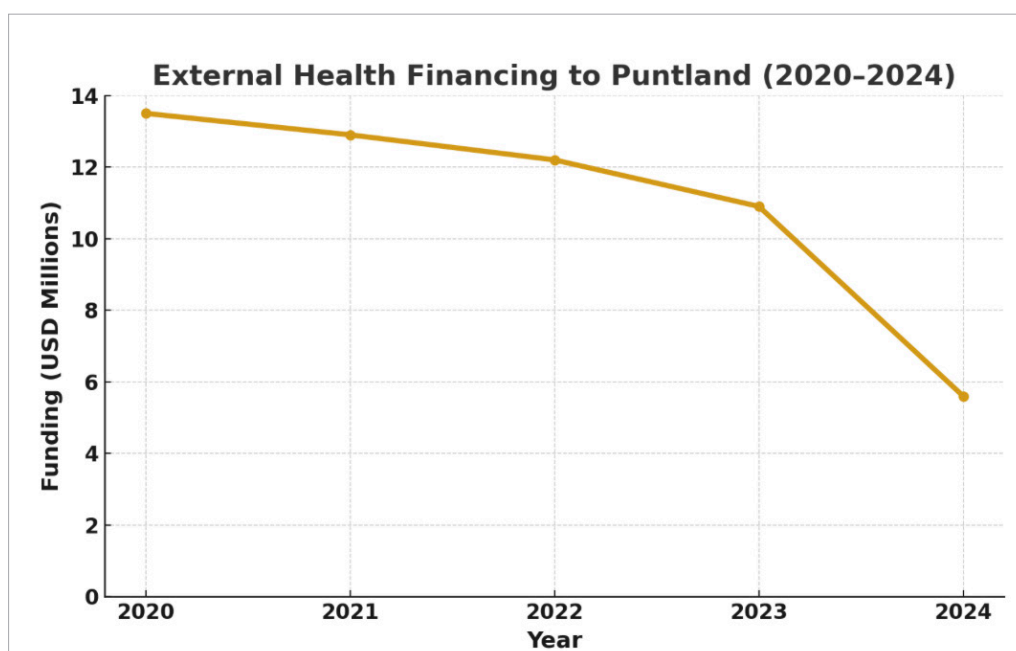


Figure 1. External Health Financing to Puntland (2020–2024). Donor contributions declined from USD 13.48 million in 2020–2021 to USD 5.59 million in 2024, a reduction of 58.5% (Source: MoH-Puntland Grey Literature).

The Puntland Health Financing Conference 2025

Recognising the need to transition toward a more sustainable and publicly financed health system, the Puntland Health Financing Conference 2025 convened a wide array of stakeholders to identify strategic approaches for reducing donor dependence. The conference brought together government leaders, technical experts, international donors, private sector actors, diaspora representatives, and community stakeholders.

The conference highlighted that healthcare demand in Puntland is increasing due to a combination of population growth, urbanisation, migration, and displacement related to conflict and climate-related events. Epidemiological shifts, including the dual burden of persistent infectious diseases and rising non-communicable diseases, further intensify the demand for services [6]. Understanding these factors is essential for designing interventions that meet the population's evolving health needs and for allocating resources efficiently to maintain and improve population health outcomes.

In addition, discussions emphasised aligning donor support with government priorities, expanding domestic revenue mobilisation, formalising diaspora contributions, leveraging the private sector for service provision, and strengthening community engagement and accountability.

Central to the discussions was the recognition that five main contributors—the government, donors, diaspora, private sector, and local communities—must be coordinated effectively to achieve sustainable financing. Historically, these actors have operated in silos, resulting in duplicated efforts and inefficiencies. Conference participants highlighted the government's role as the convening authority, responsible for establishing a clear health financing strategy, ring-fencing essential services, increasing domestic allocations, coordinating stakeholders' contributions, and instituting transparent tracking mechanisms to promote trust and stimulate co-investment across sectors.

Government Financing and Revenue Mobilisation

The Puntland government committed to gradually increasing the health sector's allocation to approximately 2% of the total annual budget, conditional on improved tax collection. Strategies to expand domestic revenue focus on broadening the tax base, enhancing compliance, and exploring earmarked taxes on products detrimental to public health, such as tobacco, khat, sugary beverages, and certain harmful cosmetics. Experts also recommended institutionalising a Medium-Term Health Sector Financing Strategy to provide a predictable funding framework, as well as implementing ring-fenced budgets for essential health services to ensure continuity of core programs. These measures aim to create stable and sustainable financing streams that reduce reliance on external donors.

International Donors

While donors remain critical to health system operations in Puntland, the conference emphasised the importance of aligning international support with government-led strategies. Participants underscored the need for long-term co-financing arrangements, rather than short-term project-based funding, and for donor support to include capacity building for governance, accountability, and coordination. Alignment with the Grand Bargain principles, including the localisation of aid through direct support to local NGOs and institutions, was highlighted as a critical step to strengthen local ownership and responsiveness.

Diaspora Contributions

The Puntland diaspora provides substantial informal financial support to health services, particularly in rural areas where government or donor presence is limited. To formalise and amplify this contribution, conference participants proposed establishing a Diaspora Health Investment Fund managed transparently in partnership with the Ministry of Health and local stakeholders, developing digital crowdfunding platforms, and introducing matching grant schemes to encourage investment in critical areas such as maternal health and infrastructure. These mechanisms are intended to transform fragmented informal contributions into structured, predictable resources that complement public financing.

Private Sector Engagement

Private health providers, concentrated mainly in urban centres, represent an underutilised resource for expanding access and improving quality. The conference discussions focused on encouraging investment through public-private partnerships, regulatory oversight, fiscal incentives, performance-based financing modalities and incorporation into national reporting and quality assurance systems. Properly integrated, the private sector could help address gaps in preventive and non-communicable disease care and contribute to infrastructure development, particularly in underserved areas. Regulatory measures are necessary to prevent inequities and ensure that services remain affordable and accessible to marginalised populations.

Community Participation

Community engagement was identified as fundamental to accountability, ownership, and long-term sustainability of health financing and service delivery. Participants discussed the potential for Community-Based Health Insurance (CBHI) schemes, which allow households to contribute small pooled premiums to cover essential health services, reducing out-of-pocket costs and improving access. Local Health Funds managed at the district or facility level could support operational needs, minor renovations, and procurement of medical supplies. Community involvement in emergency preparedness and patient transportation, especially in remote areas, was also emphasised. Enhancing health literacy and awareness of

health rights is integral to fostering active participation and sustainable system support.

Health Financing Models and Proposed Strategies

The conference culminated in a set of proposals aimed at creating a diversified, accountable, and sustainable health financing ecosystem. These included the introduction of earmarked taxes on health-detrimental products, phased implementation of a national social health insurance scheme starting with public sector employees, decentralised budget allocations to districts for primary care, and incentivised public-private partnerships. Additionally, strategies to harmonise and track diaspora and community contributions, strengthen governance, and maintain donor engagement for capacity building were emphasised. Institutional mechanisms, including national health expenditure accounts and sector-wide approaches, were proposed to monitor resources and enhance coordination among all stakeholders. These measures collectively aim to reduce donor dependence while promoting equity, transparency, and resilience.

Political and Implementation Considerations

Transitioning to a publicly financed health system requires strong political commitment, institutional capacity, and legal frameworks. Implementation challenges include enhancing tax systems, developing legislation for social health insurance, harmonising contributions from multiple actors, and establishing robust monitoring and evaluation systems. Phased implementation over five to ten years, beginning with pilot districts and expanding nationally, is considered realistic. Lessons from other fragile states highlight the importance of strong governance, community engagement, and systematic planning for successful reform. For example, Rwanda's community-based health insurance (Mutuelle de Santé) achieved high population coverage through government leadership, decentralised management, wealth-based subsidies, and community engagement, reducing out-of-pocket payments and improving health outcomes [7, 8]. Similarly, Afghanistan's Basic Package of Health Services (BPHS) improved access to essential services in a post-conflict context through NGO contracting, standardized service packages, and phased implementation, although inequities and financing gaps persisted [9]. Failure to coordinate these processes risks exacerbating inequities and undermining health outcomes.

Conclusion

Puntland's efforts to transition from donor-financed to publicly financed health systems illustrate the complexity and opportunity inherent in fragile state contexts. Integrated strategies that combine government leadership, donor alignment, diaspora investment, private sector participation, and community involvement are essential to achieving sustainable financing, equitable access, and resilient health systems. The Puntland Health Financing Conference 2025 provided critical insights into these

strategies, underscoring the need for careful planning, political will, phased implementation, and rigorous monitoring to realise a more sustainable, locally led health financing framework. Lessons learned in Puntland may apply to other fragile and conflict-affected states facing similar challenges in health system financing.

Somali Summary

SOO KOOBID

Wadamadda nugal ama jilicsan ee ay colaadu saameysa badanaa waxay ku tiirsan yihiin kaalmo dibadeed si ay u ilaaliyaan nidaamyada caafimaad, taas oo ka dhigaysa kuwo nugal marka ay dhacaan isbeddello juqraafi-siyaasadeed ama gaabis deeq-bixiyeed. Dowlad Goboleedka Puntland ee Soomaaliya ayaa tusaale u ah caqabaddan, maadaama in ka badan 90% maalgelinta waaxda caafimaadka ay badanaa ka timaado deeqo caalami ah. Iyada oo laga jawaabayo walaacyada sii kordhaya ee ku saabsan hoos u dhaca gargaarka iyo joogtaynta adeegyada caafimaadka, Shirkii Maalgelinta Caafimaadka Puntland 2025 ayaa isu keenay daneeyayaal ballaaran oo ay ku jiraan saraakiil dowladeed, deeq-bixiyeyaasha caalamiga ah, jaaliyadda qurbejoogta, qaybta privateka, iyo wakiillo bulshada ka socda, si ay uga wada hadlaan dariiqooyinka loo gaari karo nidaam caafimaad oo waara oo lawada maalgaliyo.

Faalladani waxay soo koobaysaa doodihii shirka, iyadoo iftiiminaysa xaaladda hadda ee maalgelinta caafimaadka, kaalinta ay ciyaaraan dhinacyada muhiimka ah, iyo xeeladaha lagu soo jeediyey in lagu yareeyo ku tiirsanaanta deeqaha dibadda ka yimaada. Talooiyinka ugu waaweyn waxay xoogga saareen ballaarinta ururinta dakhliga gudaha, ka faa'iidaydiga kaalmada jaaliyadda dibadda, xoojinta iskaashiga dawladda iyo ganacsiga gaarka loo leeyahay (PPP), iyo nidaaminta hababka maalgelinta caafimaadka ee ku saleysan bulshada.

Faalladu sidoo kale waxay baartay suurtoagalnimada siyaasadeed, caqabadaha hirgelinta, iyo waqtiyada suuragalka ah ee fulinta, iyadoo laga soo qaadanaayo casharro laga bartay dalal jilicsan oo la mid ah Soomaaliya. Aragtiyihii laga helay shirka waxay muujinayaan muhiimadda ay leedahay qaab-dhismeed maalgelin oo isku-dhafan, maxalli ah, isla markaana lagu hago gudaha, si loo xoojiyo adkaysiga, sinnaanta, iyo joogtaynta nidaamka caafimaadka ee Puntland iyo deegaanada la midka ah.

ORCID

Adam A. Mohamed 
<https://orcid.org/0000-0002-5740-7608>

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