

Kenya's Health Sector Budget

An Analysis of National and County Accounts for Fiscal Year 2018/19

HP+ POLICY Brief
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In 2018, Kenya's Ministry of Health (MOH), in conjunction with the Health Policy Plus (HP+) project—funded by the U.S. Agency for International Development and the U.S. President's Emergency Fund for AIDS Relief—conducted an analysis of Kenya's national and county health sector budgets for fiscal year (FY) 2018/19. Using data from annual budget estimates, the analysis aims to assist key stakeholders and decision-makers to identify changes and trends in allocation patterns. This brief aims to distill the key findings and messages of that analysis into a summary overview. The complete findings, recommendations, and references can be found in the full report, *National and County Health Budget Analysis FY 2018/19* (MOH, 2019).

In absolute terms, Kenya's national and county governments are allocating more funds to the health sector than in previous years, thereby increasing the public budgetary resources available. However, the total funding level remains below the Abuja Declaration target level¹ of fifteen percent. County health budgets, as a proportion of the total county budget, contribute less than the 35 percent recorded before devolution. Based on these and other findings from the aforementioned analysis, Kenya's MOH recommends that both national and county governments (1) increase financial



Community health workers in Kenya receive training before being sent into the communities where they work. © 2012 John Kihoro/Tupange, courtesy of Photoshare

resources allocated to the health sector and (2) increase efficiency in health sector resource allocation, including reducing allocations to personnel emoluments and increasing allocations to capital development activities.

What was Kenya's allocation to health in the FY 2018/19 annual budget?

Kenya's combined (national and county government) allocation to health continued a trend of gradual expansion, from the 78 billion Kenyan shillings² (Ksh) allocated in FY 2013/14—the first fiscal year post-devolution—to

¹ In April 2001, heads of state of African Union countries met in Abuja, Nigeria, and pledged to set a target of allocating at least 15 percent of their annual budgets to improve the health sector. Kenya is a signatory to this declaration.

² US\$1 is equivalent to 101 Ksh in 2018.

the current Ksh 207 billion in FY 2018/19: a 165-percent increase. This increase is primarily attributable to county health budgets expanding more rapidly than the national MOH budget (Figure 1).

The proportion of total government budget (TGB) allocation to health at both national and county levels has increased during FYs 2017/18 and 2018/19, after stagnating at around 7 percent during FYs 2014/15–2016/17, reaching a high of 9.2 percent in FY 2018/19. This trend indicates that Kenya is gradually moving toward the Abuja target of 15 percent.

Recommendation: Increase financial resources allocated to the health sector

Both national and county governments should increase allocations to health to surpass pre-devolution levels and move closer to attaining the Abuja targets. In FY 2017/18, county governments increased

their allocations to health as a percentage of total county budgets to 27.2 percent (Ksh 121 billion), up from 27.0 percent (Ksh 105 billion) the previous year. Although this change indicates an increased commitment to health by county governments, the allocation still falls short of the estimated pre-devolution level of 35 percent.

What was the relationship between recurrent and development budget allocations?

The MOH recurrent budget continues to increase, consuming over half of the total health budget. Among the counties, recurrent budget allocations have remained consistently high, at an average of 79.8 percent over the last three years—significantly above the 70 percent threshold that counties are expected to

Figure 1. Pre- and Post-Devolution Budget Allocations to Health

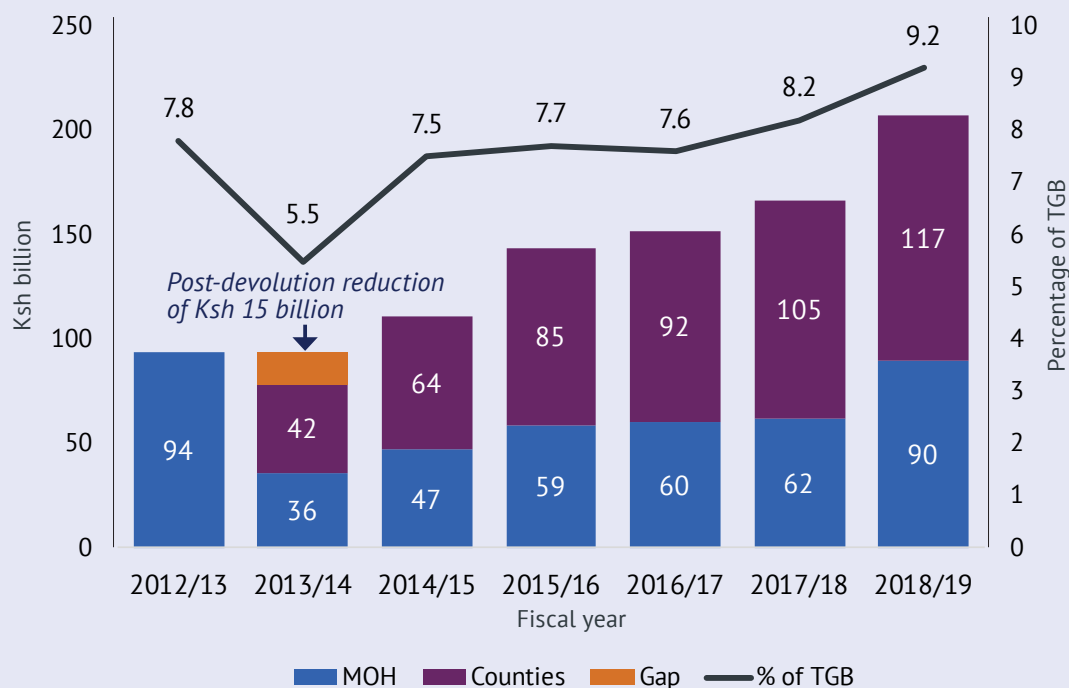


Table 1. Recurrent and Development Allocations in the Health Sector

Budget Category	Allocation in Ksh and Percent of Total County Health Budget		
	FY 2016/17	FY 2017/18	FY 2018/19
Recurrent	72,297,833,991 (78.8%)	85,795,473,875 (81.9%)	95,295,938,788 (78.7%)
Development	19,489,223,722 (21.2%)	18,980,837,655 (18.1%)	25,793,427,753 (21.3%)
TOTAL	91,787,057,713 (100%)	104,776,311,530 (100%)	121,089,366,541 (100%)

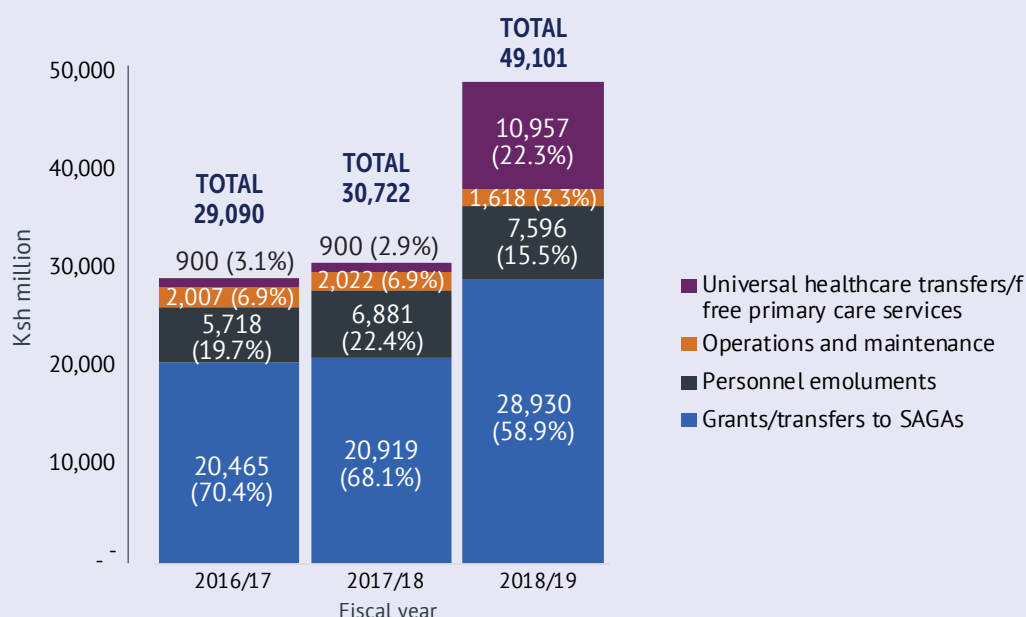
achieve according to the *Public Finance Management Act* (Republic of Kenya, 2012). Conversely, county development budget allocations have remained low, at an average of 20.2 over the same period. In fact, 81 percent of counties allocated more than 70 percent of their total health budgets to recurrent expenditures (Table 1).

What did recurrent budget allocations cover?

The largest proportion of the MOH’s recurrent budget covered grants and transfers to the seven semi-autonomous government agencies (SAGAs) under the ministry. In FY 2018/19, the MOH

allocated 59 percent (Ksh 28.9 billion) of its recurrent budget to the SAGAs, compared to 70 percent (Ksh 20.5 billion) in FY 2016/17 and 68 percent (Ksh 20.9 billion) in FY 2017/18. The remainder of the budget covered personnel emoluments, operations and maintenance, and reimbursements to primary care facilities that offer free health services. During FY 2018/19, the MOH introduced and allocated approximately Ksh 11 billion, or 22.3 percent of its budget, to finance newly introduced universal health coverage initiatives and discontinued allocation for the free primary healthcare program after allocating Ksh 900 million in each of the two previous years (Figure 2).

Figure 2. MOH Recurrent Budget, FY 2016/17–FY 2018/19



County governments’ recurrent budgets covered personnel costs; the purchase of drugs and essential medical supplies, including non-pharmaceuticals; training; and operations and maintenance (Figure 3).

Recommendation: Reduce allocations to personnel emoluments

These findings indicate an unfavorable trend of gradually increasing allocations to personnel emoluments. Although reduction may be difficult to accomplish in the short term, counties must strategize ways to reduce this allocation to the level of 50 to 60 percent of the recurrent budget in order to free up resources for other critical health inputs.

What did development budget allocations cover?

Over 80 percent of the MOH’s FY 2018/19 development budget was earmarked for medical equipment leasing and the free maternity services program (Figure 4).

Donors contributed Ksh 24 billion to the MOH’s development budget in FY 2018/19—an increase from Ksh 20 billion in both FY 2016/17 and FY 2017/18. These funds cover special programs, including those related to HIV, immunization, health systems support, and reproductive health services.

Figure 3. County Governments’ Recurrent Budget, FY 2016/17–FY 2018/19

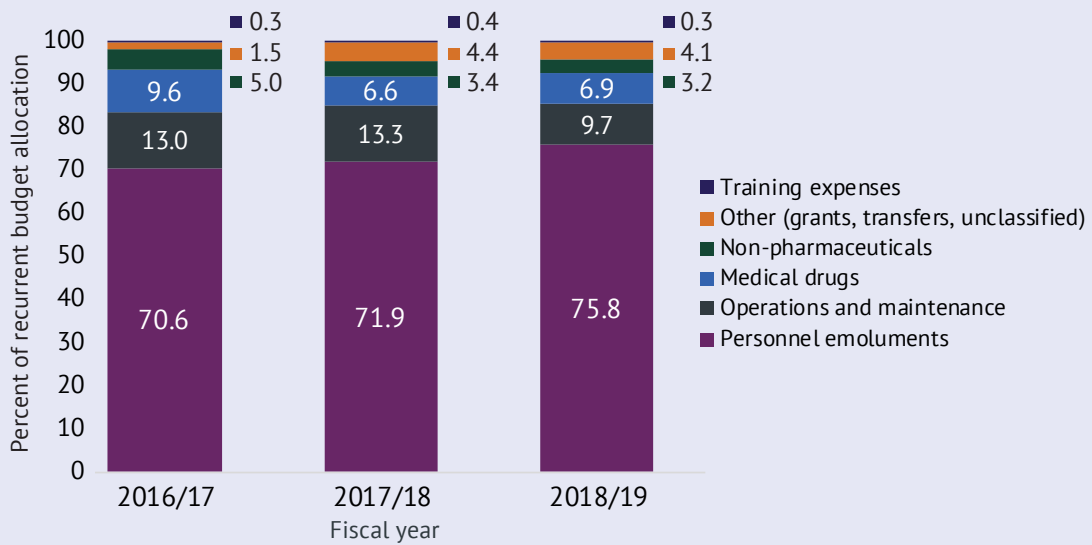
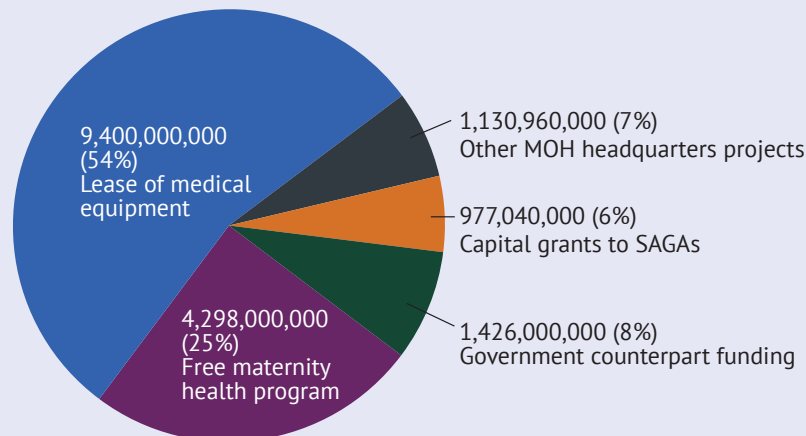


Figure 4. MOH Development Budget, FY 2018/19



At the county level, construction received the largest share of the development budget in FY 2018/19 (Figure 5). The purchase of medical equipment had seen an increase in previous years, but dropped to 6.9 in FY 2018/19.

Recommendation: Increase allocations to development

At the national level, the MOH should increase allocations to development to cover a greater percentage of the programs currently funded by donors with the aim of reducing any gaps that may arise from declining donor funding. Counties should also increase allocations to development, especially those that allocated less than the recommended 30 percent of health budgets.

How much did the counties allocate per person?

Although counties allocated different amounts to health in absolute terms, the analysis examines allocation in context of the population to be served and over time (Figure 6).

Figure 6 shows that counties increased their per capita budget allocations from Ksh 2,227 in FY 2017/18 to Ksh 2,531 in FY 2018/19: a 13.7 percent increase. However, analysis also shows that the per capita allocation varied across counties, ranging from Ksh 1,401 for Nairobi City county in FY 2018/19 to Ksh 8,928 in Lamu county during the same year.

Figure 5. County Governments’ Development Budget, FY 2016/17–FY 2018/19

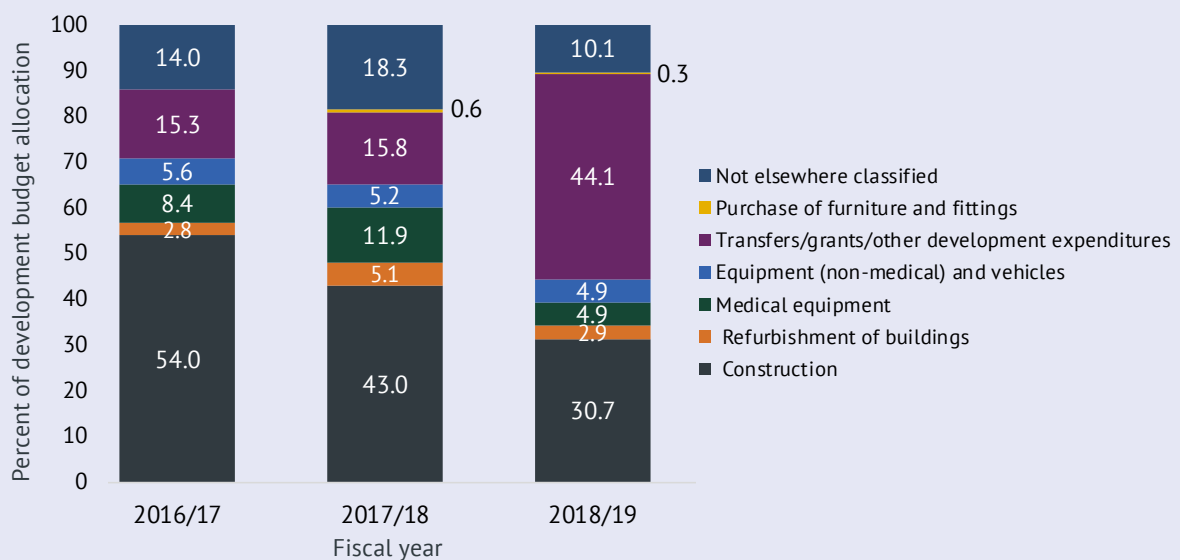
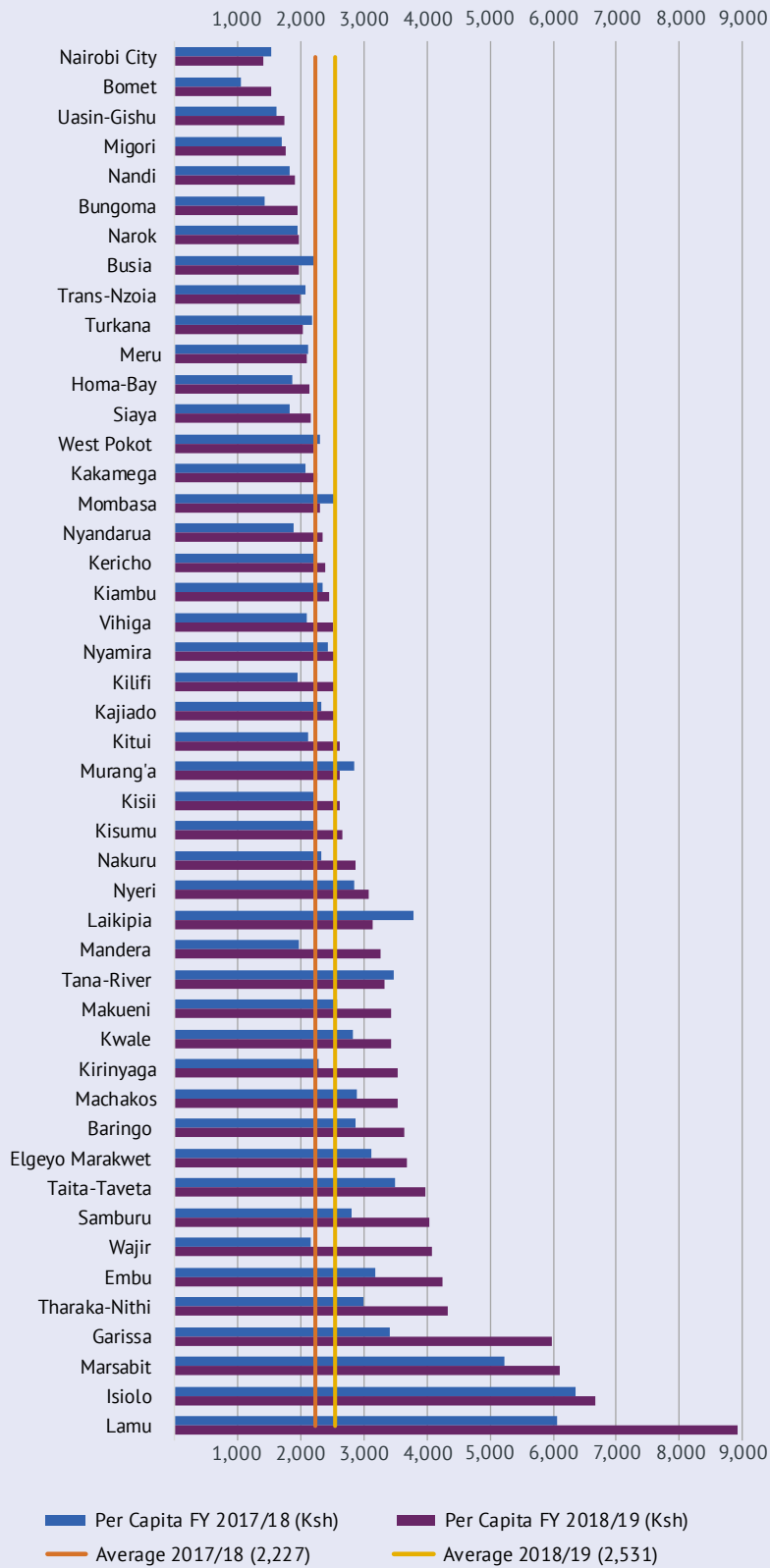


Figure 6. County per Capita Budget Allocations, FY 2017/18 and FY 2018/19



Conclusions

The findings of the analysis indicate that, overall, national and county governments are allocating more funds in absolute terms and increasing the public budgetary resources available to the health sector in Kenya. However, the following steps should be taken in order to continue this trend and support the provision of sustainable, quality healthcare at national and subnational levels:

- The public health sector budget needs to be expanded to meet the Abuja targets, thereby enhancing the journey to self-reliance.
- Both national and county governments need to align resource allocation to policy priorities, especially in the funding of preventive and promotive health services.
- The MOH should develop mechanisms stipulated in the recently enacted health law to ensure that resources disbursed for free care at primary care facilities

are ring-fenced and used to increase access to and quality of services at those facilities.

- Planning, budgeting, and advocacy capacities of counties with relatively lower allocations to health should be enhanced at the county level to ensure increased allocation to health.
- Given that a large portion of county health allocations are covering personnel emoluments, it is important that rational staff deployment plans, as well as initiatives to enhance productivity, are put in place.

References

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