MINISTRY OF HEALTH

May 2019

PUBLIC HEALTH EXPENDITURE IN KENYA

A Comparative Analysis of Nine Deep-Dive Counties

This study was funded by the U.S. Agency for International Development (USAID) and the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) through the Health Policy Plus (HP+) project. The views expressed in this publication do not necessarily reflect the views of USAID, PEPFAR, or the U.S. Government.

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Acknowledgments

The authors of this report would like to extend their gratitude to the health leadership and management of the nine deep-dive counties who supported preparation of the respective public expenditure analysis reports that form the basis of this summary analysis. The authors also acknowledge the financial and technical support provided by the U.S. Agency for International Development and the U.S. President's Emergency Plan for AIDS Relief through the Health Policy Plus (HP+) project. Specifically, the authors extend their gratitude to Stephen Muchiri and other HP+ technical staff for reading the manuscript and providing valuable comments.

Abbreviations

FY	fiscal year
HIV	human immunodeficiency virus
HP+	Health Policy Plus
KSH	Kenyan shillings
PEPFAR	U.S. President's Emergency Fund for AIDS Relief
USAID	U.S. Agency for International Development

Executive Summary

Following Kenya's devolution and the establishment of counties as primary units of governance in 2013, the U.S. Agency for International Development (USAID) identified 26 Kenyan counties, based on selected HIV parameters, to receive support on domestic resource mobilization and sustainable financing for health and HIV. The Health Policy Plus (HP+) project, funded by USAID and the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), has been providing enhanced support to nine representative counties of the 26 identified—Busia, Kitui, Kilifi, Isiolo, Nakuru, Nyeri, Mombasa, Migori, and Turkana—to improve selected health financing indicators for increasing resources available and used for health, achieving efficiencies and equity in allocation, and utilizing financial resources. As part of this support, HP+ has examined the utilization capacities of allocated public health funding by these nine "deep-dive" counties, culminating in this report.

Public health spending constitutes a significant proportion of health sector resources in Kenya, averaging 46 percent of total health expenditures (broken down into 29 percent by households, 19 percent by donors, and six percent by the private sector) in fiscal year (FY) 2016/17 for the nine deep-dive counties (HP+, Forthcoming). This analysis compares utilization of county governments' contribution to the financial resources of the health sector among the deep-dive counties. The analysis aims to inform policy- and decision-makers regarding the areas and magnitude of budget execution inefficiencies.

Health budgets in the nine deep-dive counties were drawn from four sources: national shareable revenue allocated to counties from national taxes (85.5 percent), conditional grants from national government (6.7 percent), external grants and loans (4.1 percent), and local revenue (3.8 percent). Among the counties studied, Nakuru raised the highest amount of its county health budget from local revenue (10 percent) followed by Mombasa (8.2 percent) in FY 2017/18, while other counties raised little or no revenue from local sources.

The nine counties allocated an average of 25.8 percent of their budgets to finance the health budget in FY 2017/18. Nakuru allocated the largest share, at 38 percent, and Turkana the least, at 11 percent. In absolute terms, 24 billion Kenyan shillings (Ksh) was allocated to health, with Ksh. 22 billion spent during the fiscal year.[1] This budget utilization rate of 91.7 percent shows an improvement from the previous fiscal year's utilization rate of 78 percent. Migori, Busia, and Mombasa counties ranked highest in the absorption rate, at 101, 99, and 95 percent, respectively, while Turkana, Kitui, and Nakuru counties ranked lowest, at 66, 83, and 85 percent, respectively. Despite improved overall budget absorption, Ksh 2.7 billion of the total health budget was unspent by the close of FY 2017/18—mainly accounted for by Nakuru county, at Ksh 888 million; Turkana county, at Ksh 782 million); and Kitui county, at Ksh 500.8 million.

The recurrent budget absorption rate for the nine counties was 93 percent for FY 2017/18—an increase from FY 2016/17's absorption rate of 88 percent. The high budget absorption rate is attributable to a relatively higher spending rate of personnel emoluments, which peaked to 97.8 percent from previous year's rate of 95.8 percent. Mombasa, Busia, and Nyeri counties ranked highest in absorption of recurrent budget, at 99, 99, and 98 percent, respectively, while Turkana registered lowest, decreasing absorption (from 82 to 69 percent), followed by Migori at 71 percent and Kitui at 88 percent. Absorption for drugs and related non-pharmaceuticals increased to 93 percent in FY 2017/18 from the previous year's 47.2

[1] For the purposes of this analysis, the exchange rate is approximately US$1 = 100 Ksh.

percent, implying that the nine counties applied a significant shift in their approaches to the utilization of the commodities budget.

Absorption of the development budget increased to 55.2 percent in FY 2017/18 from the previous year's 43.7 percent. Migori ranked the highest (at 100 percent, possibly due to data or accounting discrepancies), followed by Kilifi (78 percent) and Busia (74 percent), while the three lowest rates were those of Turkana (35 percent), Mombasa (40 percent), and Nakuru (46 percent). Absorption on building-related works was 44 percent, on equipment at 39 percent, and others at 16 percent in FY 2017/18. From this analysis, it is apparent that many counties are experiencing challenges in utilization of development allocations across the board.

In view of these observations, this analysis recommends that:

- Counties strengthen collection from own local revenue sources to mitigate against fluctuations in flow of funds and achieve more flexibility in spending
- Counties strengthen their procurement planning and identify and resolve budget execution bottlenecks to enable improved utilization of allocated funds
- Counties engage in exchanges to share lessons learned, given the variations in absorption rates for various expenditure items across counties
- Programming of development expenditures be strengthened at the county level

Given the importance and contribution of public sector financing to the health sector, counties should be provided with the capacity to intensify and expand the depth and scope of resource utilization monitoring to enable timely identification of and response to bottlenecks that lead to underutilization of county health budgets.

Introduction

In Kenya, county governments are primarily responsible for mobilizing and allocating financial resources for health-related activities to meet county health goals and priorities. County governments from all sectors, including health, compete for resources from the county resource envelope. In almost all cases, sectors are allocated less than their budget proposals request due to limitations on financial resources. If allocated funds are unspent, there will be deficiencies in the counties' ability to meet intended goals for financing health services. Moreover, underutilization of allocated funds diminishes the health sector's competitiveness during bidding for resources.

Following devolution and the establishment of counties as primary units of governance in 2013, the U.S. Agency for International Development (USAID) identified 26 Kenyan counties, based on selected HIV parameters, to receive support on domestic resource mobilization and sustainable financing for health and HIV. The Health Policy Plus (HP+) project, funded by USAID and the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), has been providing enhanced support to nine representative counties of the 26 identified—Busia, Kitui, Kilifi, Isiolo, Nakuru, Nyeri, Mombasa, Migori, and Turkana—to improve selected health financing indicators for increasing resources available and used for health, achieving efficiencies and equity in allocation, and utilizing financial resources. Capacity-building activities, including mentorship, began in 2016 and are currently ongoing for these nine "deep-dive" counties to train representatives on planning and budgeting for the health sector and the generation of evidence for policy- and decision-making.

Public health spending constitutes a significant proportion of health sector resources in Kenya, averaging 46 percent of total health expenditures (broken down into 29 percent by households, 19 percent by donors, and six percent by the private sector) in fiscal year (FY) 2016/17 for the nine deep-dive counties (HP+, Forthcoming). Healthcare provision in Kenya is heavily dependent on a number of factors, such as trained personnel, availability of essential drugs and other commodities, and distance to the point of service. Counties have focused on addressing these key challenges with most resources going toward hiring and maintaining qualified health personnel and establishment of infrastructure.

This analysis, undertaken by HP+, examines the allocation and usage of county health expenditures for fiscal years 2017/2018 and 2016/17, where data allows, for the nine deep-dive counties. It offers a purposeful enquiry into county health expenditure patterns and broader insight on how counties utilize their resources to deliver health services in their localities. The analysis presents the sources of county health funding, examines how the

county health departments utilize allocated funds across the recurrent and development spending categories, and provides comparisons across counties and an analysis of the combined, proportional allocation of the health budget.

Methods and Limitations

Budget and expenditure data used in this analysis was obtained from various sources. County health departments provided raw expenditure data disaggregated by expenditure items, supplemented and collated with data extracted from the *County Budget Implementation Review Report 2017/18*. The study undertook a detailed comparative cross-county analysis of the total budget absorption in each of the nine deep-dive counties and on different economic categories. An assessment was conducted on expenditure distribution across the key efficiency indicators, including the proportion of recurrent spending on essential drugs and personnel emoluments.

The study faced some limitations, particularly in regard to the quality of data provided by county health departments. Most counties did not provide a disaggregated program-based budget, limiting our capacity to undertake detailed programmatic expenditure analysis. Additionally, raw financial data provided by the counties were not yet audited by the time this analysis occurred—but are expected to be indicative of final audited data and usable for the purpose of this analysis.

Findings

Funding Sources for County Health Services

During FY 2017/2018, health services in the nine counties were financed from four main sources: (1) national shareable revenue, which counties receive as direct allocation from the national government and with full discretion on how to allocate; (2) conditional grants from the national government that are primarily intended as additional support to level five hospitals[2] and to cater for losses arising from abolition of user fees and free maternity programs; (3) external loans and grants mainly provided by the World Bank and the Danish International Development Agency to support health sector reforms; and (4) from counties' own revenue, which is collected and used by the health departments. Table 1 shows the share of each of these sources out of the total budget by county. For the purposes of this analysis, the exchange rate is approximately US$1 = 100 Kenyan shillings (Ksh).

[2] Level 5 hospitals—known as provincial hospitals prior to devolution—are regional hospitals that serve as referral points for surrounding counties. These facilities receive additional funding to supplement the costs of serving patients from several counties.

Table 1. Funding Sources for County Health Services, FY 2017/18

County	Total County Health Budget		Sources			
	Allocation (Ksh)	Percentage of County Budget	National Shareable Revenue	Conditional Grants	External Loans and Grants	Own Revenue*
Nakuru	5,961,327,085	38%	81.5%	8.3%	0.2%	10%
Mombasa	3,181,066,754	25%	73.4%	17.2%	1.2%	8.2%
Kilifi	3,124,111,953	26%	92%	0.8%	5.3%	1.9%
Kitui	3,020,983,950	27%	91.6%	0.8%	7.6%	
Nyeri	2,668,582,399	34%	82.9%	15.8%	1.3%	
Turkana	2,276,147,101	11%	86%		14%	
Migori	1,926,641,634	24%	88.7%	6.1%	5.2%	
Busia	1,544,796,992	21%	94.9%	1.1%	3.3%	0.7%
Isiolo	1,142,575,441	26%	94%	0.3%	5.7%	
Average		**25.8%**	**85.5%**	**6.7%**	**4.1%**	**3.8%**

*Five counties collected revenue from within the health sector, but the funds were directly channeled to the county revenue fund; a blank cell does not imply that the health sector collects no revenue.

On average, the health sector of the nine deep-dive counties was allocated 25.8 percent of the total county government budget, in which 85.5 percent was received from national shareable revenue, 6.7 percent from conditional grants, 4.1 percent from external loans and grants, and 3.8 percent raised internally within the sector. Busia, Isiolo, and Kilifi are the top three counties predominantly relying on national shareable revenue as a source of the health budget, while Mombasa, Nakuru, and Nyeri rank last in the proportion sourced from national shareable revenue. The latter counties have level five hospitals and are receiving a significant proportion of their budget from conditional grants, at 17.2, 8.3, and 15.8 percent of budget resources, respectively. Even though Nakuru is allocating 38 percent of its county budget to health, 10 percent of that derives from its own revenues, indicating the potential to increase the proportion allocated to health by harnessing revenues collected by health departments.

Health Budget and Expenditures

Table 2 shows the nine deep-dive counties allocations to health and how the funds were spent under recurrent and development categories for FY 2017/18.

Table 2. Allocations and Expenditure for Deep-Dive Counties, FY 2017/18

County	Allocations	Expenditures	Expenditure Recurrent	Expenditure Development
Nakuru	5,961,327,085	5,072,974,000	4,566,665,204	506,308,796
Mombasa	3,181,066,754	3,038,118,654	2,947,619,757	90,498,897
Kilifi	3,124,111,953	2,963,039,858	2,514,161,198	448,878,660
Kitui	3,020,983,950	2,520,132,460	2,170,510,340	349,622,120

County	Allocations	Expenditures	Expenditure Recurrent	Expenditure Development
Nyeri	2,668,582,399	2,520,801,763	2,385,867,775	134,933,988
Turkana	2,276,147,101	1,493,307,023	1,399,584,475	93,722,547
Migori	1,926,641,634	1,960,934,482	1,711,455,180	249,479,302
Busia	1,544,796,992	1,529,293,919	1,517,734,325	11,559,594
Isiolo	1,142,575,441	1,008,006,536	854,137,975	153,868,561
Total	24,846,233,308	22,106,608,695	20,067,736,229	2,038,872,465

The nine counties spent a total of Ksh 22.1 billion on health in FY 2017/18, out of a total allocation of Ksh. 24.8 billion. Recurrent expenditure amounted to Ksh 20.1 billion, or 90.8 percent of total health expenditure, while development budget spending was Ksh 2.04 billion, or 9.2 percent of total health spending.

Health Budget Absorption

Figure 1 shows county health budget utilization performance across the nine counties for FY 2017/18 and compares this data with performance in the previous fiscal year.

Figure 1. Total Health Budget Absorption

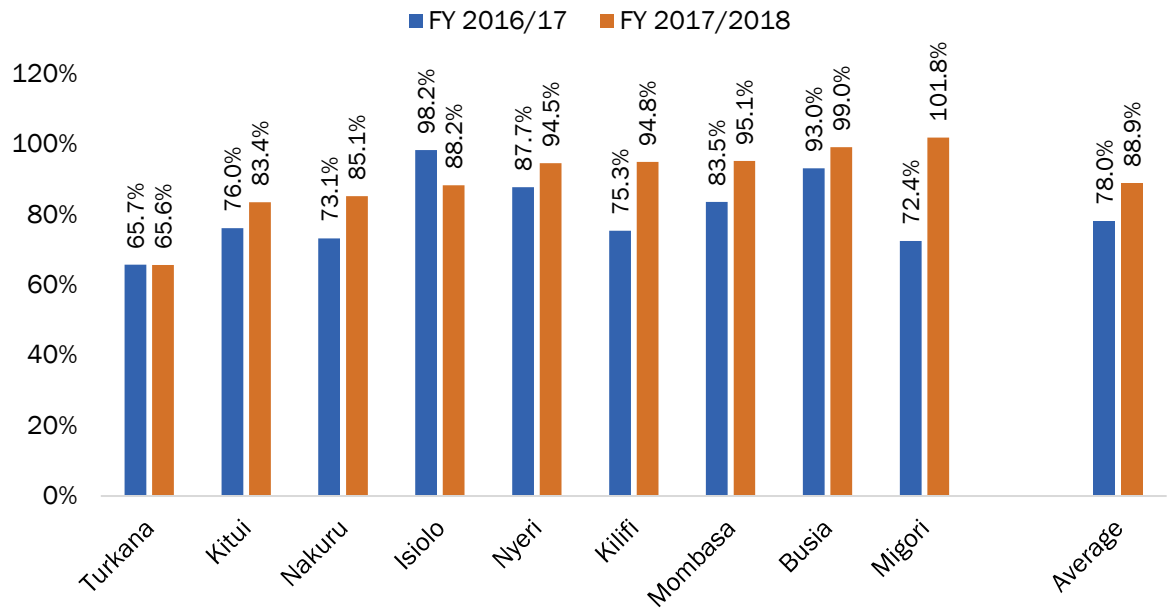


Figure 1 reveals that, on average, the nine deep-dive counties increased budget utilization from 78 to 88.9 percent from FY 2016/17 to FY 2017/18. Seven of the nine counties recorded improved overall utilization of the health budget. Kilifi County recorded the most significant improvement in performance, from 75.3 to 94.8 percent over the two review years, while Nakuru and Mombasa counties recorded the second most improved budget performance, from 73.1 to 85.1 percent (Nakuru) and 83.5 to 95.1 percent (Mombasa) over the same period. Migori County exceeded its allocated budget, absorbing a total of Ksh. 1.96 billion, or 101 percent of the total sum allocated. Isiolo and Turkana counties faced absorption challenges during the review period, with Turkana plateauing at around 66 percent while

Isiolo recorded the most significant decline, from 98.2 percent in FY 2016/17 to 88.2 percent in FY 2017/18.

Analysis of Recurrent Expenditure

Table 3 shows health recurrent expenditures for the nine deep-dive counties for FY 2017/18 and the breakdown for specific inputs.

Table 3. Recurrent Expenditures for Deep-Dive Counties, FY 2017/18

County	Total Expenditure	Personnel Emoluments	Drugs and Other Medical Supplies	Operations and Maintenance	Others (Including Current Transfers)
Nakuru	4,566,665,204	3,277,443,046	567,432,865	712,759,293	9,030,000
Kitui	2,170,510,340	1,469,733,716	422,166,818	275,085,505	3,524,301
Kilifi	2,514,161,198	1,709,478,664	331,766,935	229,009,665	243,905,934
Nyeri	2,385,867,775	1,936,776,593	198,528,605	48,505,417	202,057,160
Turkana	1,399,584,475	857,765,718	224,396,144	270,931,282	46,491,331
Mombasa	2,947,619,757	2,461,926,684	261,654,505	7,825,261	216,213,307
Isiolo	854,137,975	660,646,720	67,696,648	90,442,545	35,352,062
Busia	1,517,734,325	1,160,489,366	246,136,881	107,524,933	3,583,145
Migori	1,711,455,180	1,258,073,338	285,156,850	168,224,992	-
Total	20,067,736,229	14,792,333,846	2,604,936,250	1,910,308,893	760,157,241

The nine counties spent a total of Ksh. 20.1 billion, or 91 percent of total health spending, on recurrent expenses, comprising personnel emoluments (Ksh 14.8 billion), drugs and other medical supplies (Ksh 2.6 billion), operation and maintenance activities (Ksh 1.9 billion), and other recurrent expenditures (Ksh 760 million). Personnel expenses represent the highest proportion of expenditure, at 74 percent.

Absorption of Recurrent Budget

Figure 2 shows the annual absorption of recurrent budget for each county and the average for the nine counties in FYs 2016/17 and 2017/18.

Figure 2. Annual Absorption of Recurrent Budget, FYs 2016/17 and 2017/18

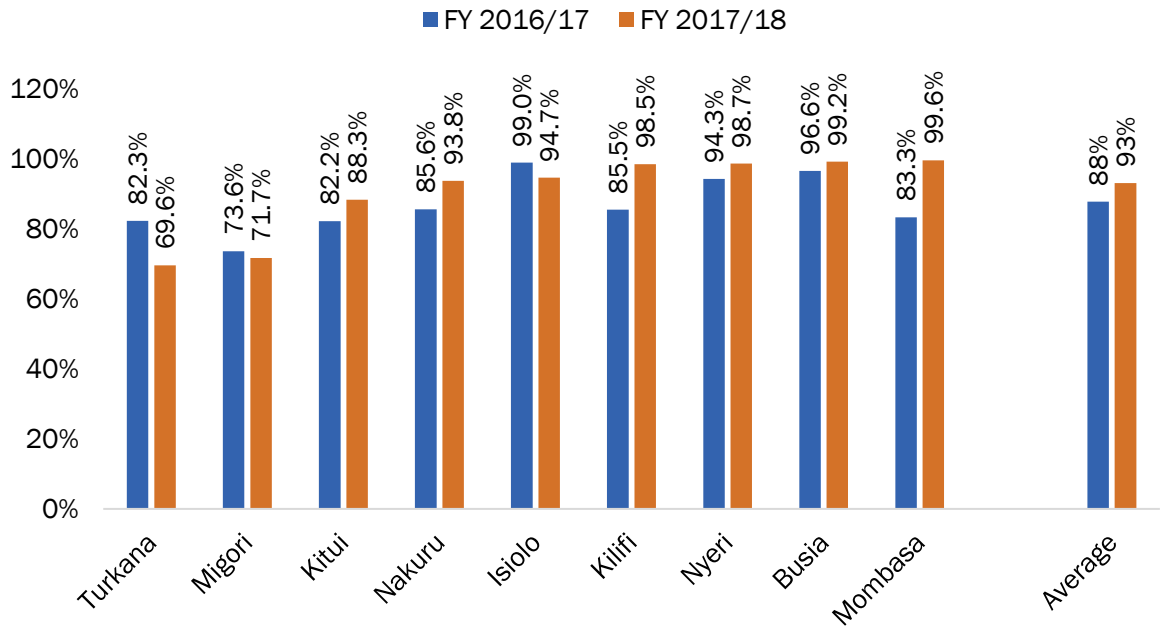


Figure 2 shows that on average, utilization of recurrent budget by the nine counties improved from 87 percent in 2016/17 to 93 percent in FY 2017/18. Six of the nine counties showed marked improvement in the absorption of recurrent budgets over the two years.

Distribution of Recurrent Spending by Key Inputs

Figure 3 shows a breakdown by proportion of recurrent expenditures by economic classification: personnel emoluments; drugs and other pharmaceutical commodities; operations and maintenance; and current transfers to government agencies.

Figure 3. Proportion of Recurrent Spending by Economic Category, FY 2017/18

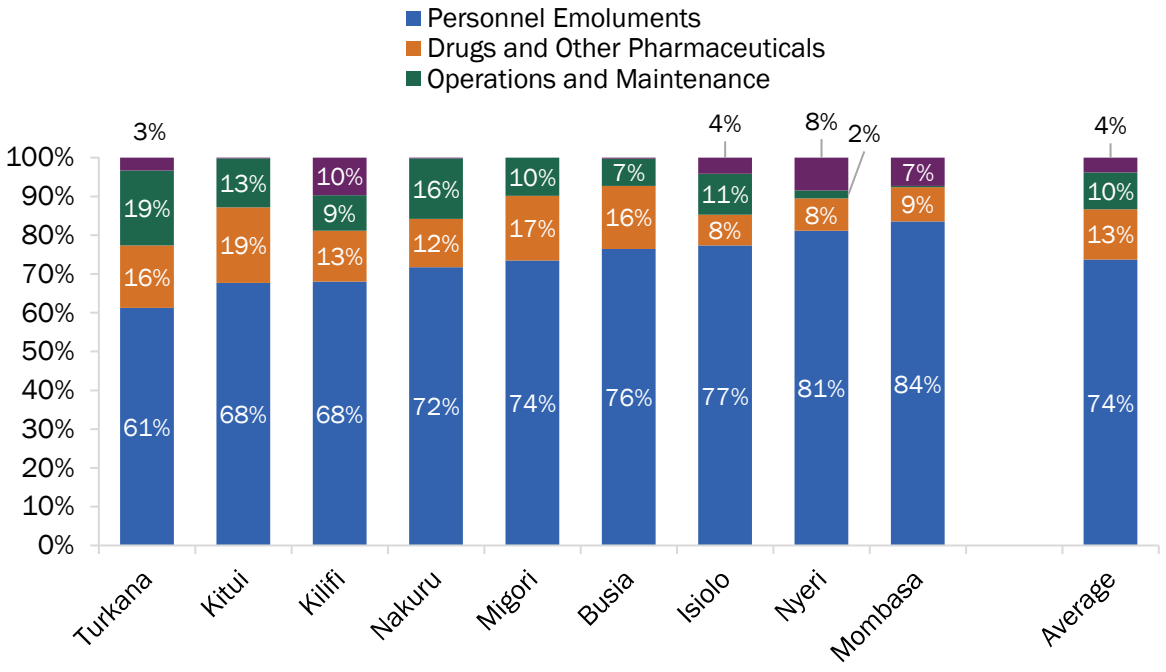
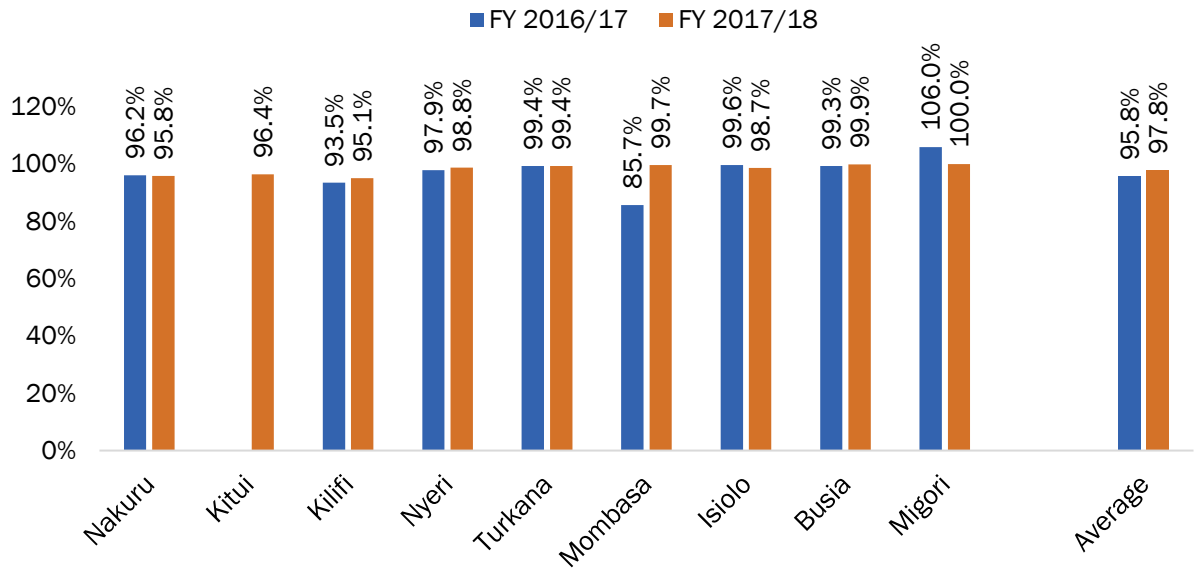


Figure 3 shows that personnel emoluments dominated the recurrent health budgets in all nine counties, accounting for an average of 74 percent out of the total aggregate recurrent budget. Data analysis reveals that 13 percent was spent on drugs and pharmaceuticals, 10 percent on operations and maintenance, and 4 percent on other inputs, including current transfers. Mombasa county spent the highest proportion of its recurrent budget on personnel emoluments, at 84 percent, followed by Nyeri (81 percent) and Isiolo (77 percent). Turkana, Kilifi, and Kitui counties spent the least on personnel emoluments at 61, 68, and 68 percent, respectively. Spending on drugs and other medical supplies remains relatively low in most of the counties. Kitui county had the highest proportion of its recurrent expenditure on drugs and non-pharmaceuticals, at 19 percent, followed by Migori county, at 17 percent. Computations show that a total of Ksh. 1.4 billion meant for recurrent expenses was unspent at the close of the fiscal year in the nine counties; Turkana had the highest unspent recurrent budget, at Ksh. 610 million, followed by Nakuru and Kitui counties with unspent recurrent budgets of Ksh. 302.1 million and Ksh. 286.6 million, respectively.

Personnel Emoluments

Ksh. 14.8 billion was spent to compensate employees out of an aggregate allocation of 15.1 billion, representing an aggregate absorption rate of 97.8 percent for FY 2017/18. Figure 4 shows the proportion of total recurrent spending for personnel emoluments by county.

Figure 4. Absorption of Personnel Emoluments Budget, FYs 2016/17 and 2017/18



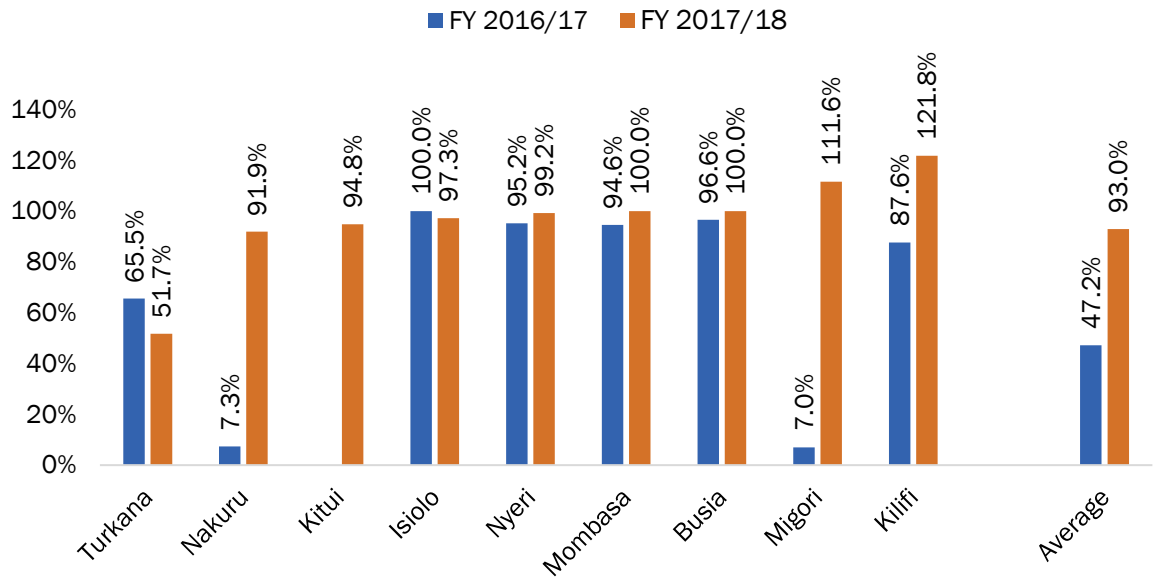
Note: Data not available for Kitui County for FY 2016/17.

Figure 4 shows that the average absorption of personnel budget increased slightly, from 95.8 percent in 2016/17 to 97.8 percent in 2017/18. Migori County had the highest absorption, utilizing 100 percent of total allocations for personnel. Mombasa County had the most improved budget absorption performance for personnel expenses over the two review years, increasing its absorption from 85.7 to 99.7 percent. A total of Ksh 333.3 million intended for personnel emoluments for the nine deep-dive counties remained unspent at the close of the fiscal year.

Drugs and Other Medical Supplies

Figure 5 shows the average absorption of allocations to essential health commodities (including medical drugs, non-pharmaceuticals, and laboratory and x-ray supplies) in FYs 2016/17 and 2017/18.

Figure 5. Absorption of Drugs and Other Medical Supplies Budget



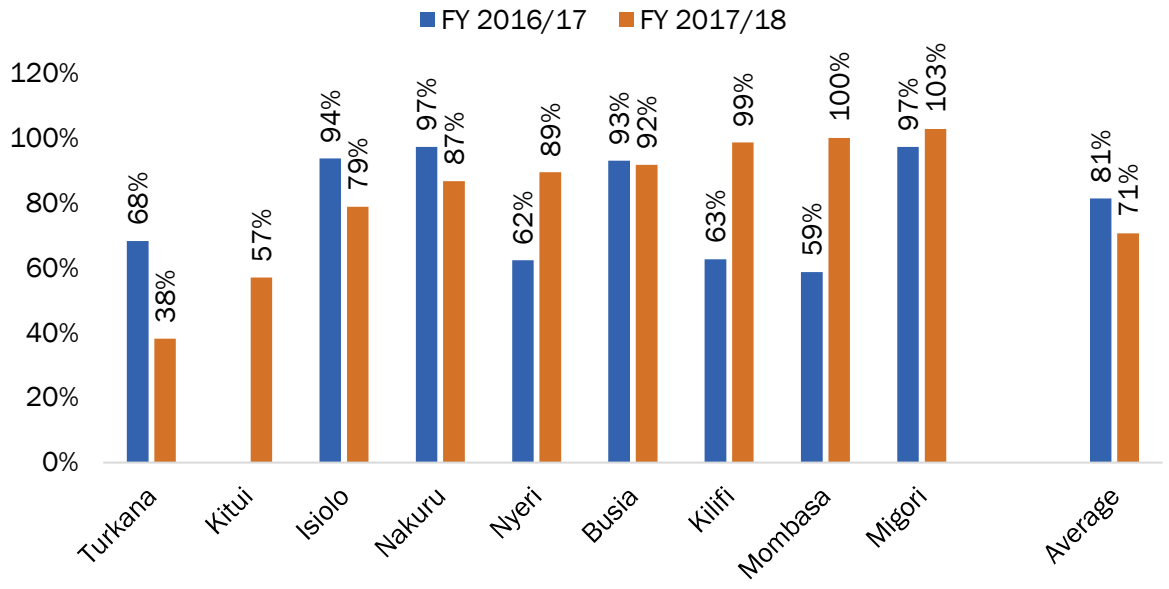
Note: Data not available for Kitui County for FY 2016/17.

Figure 5 shows that counties are gradually increasing rates of utilizing budget allocations to medical drugs and other related commodities. Migori, Nakuru, and Kilifi counties recorded the most significant improvements in absorption performance of the health commodities budget with average absorption rates of 112, 92, and 121.8 percent, respectively—up from respective rates of 7, 7.3, and 87.6 percent the previous year. An absorption rate above 100 percent indicates that the county under-budgeted for commodities and had to supplement with resources from other items (not captured by respective accounting reports).

Operations and Maintenance

The nine counties spent a combined Ksh. 1.9 billion out of a total allocation of Ksh. 2.7 billion on health-related daily operations and maintenance activities during FY 2017/2018, representing an aggregate absorption of 71 percent. Figure 6 shows the average absorption rates for operations and maintenance in each of the nine counties for FY 2017/2018 compared to FY 2016/17.

Figure 6. Absorption of Operations and Maintenance Budget



Note: Data not available for Kitui County for FY 2016/17.

Figure 6 shows an overall average decline in absorption of the operations and maintenance budget during FY 2017/18, from 81 to 71 percent. Four counties—Nyeri, Kilifi, Mombasa, and Migori—recorded improved absorption rates compared to the previous year's performance. Kilifi, Mombasa, and Migori counties achieved high absorption rates, at 99, 100, and 103 percent, respectively. Turkana county reported the most significant decline in budget absorption, from 68 percent in 2016/17 to 38 percent in 2017/18, with declines also reported for Isiolo, Nakuru, and Busia. Computations indicate a total of Ksh. 793 million intended for operations and maintenance activities for the nine counties was unutilized in FY 2017/18.

Analysis of Development Expenditure

Table 4 shows health development expenditures for the nine deep-dive counties for FY 2017/18 and a breakdown of expenditure by key categories.

Table 4. Development Expenditures for Deep-Dive Counties, FY 2017/18

County	Total Development Expenditure	Breakdown		
		Buildings	Medical and Non-Medical Equipment	Other (Capital Transfers, etc.)
Nakuru	506,308,796	-	252,470,262	253,838,534
Kilifi	448,878,660	316,470,620	127,898,040	4,510,000
Kitui	349,622,120	238,265,945	109,206,175	2,150,000
Migori	249,479,302	113,686,571	135,792,731	
Nyeri	134,933,988	65,007,161	49,926,827	20,000,000
Isiolo	124,636,617	48,382,600	58,143,200	18,110,817
Turkana	93,722,547	40,128,735	21,258,275	32,335,537

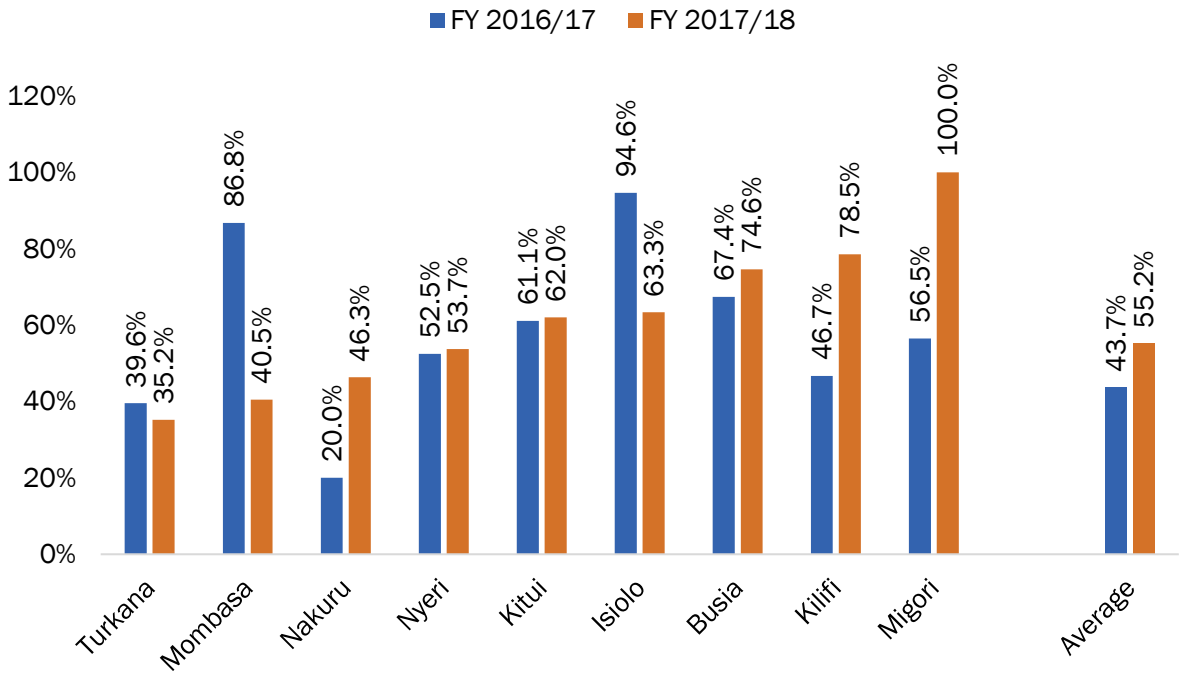
County	Total Development Expenditure	Breakdown		
		Buildings	Medical and Non-Medical Equipment	Other (Capital Transfers, etc.)
Mombasa	90,498,897	69,166,317	21,332,580	-
Busia	11,559,594	291,000	11,065,052	203,542
Total	2,009,640,521	891,398,949	787,093,142	331,148,430

The nine counties spent Ksh 2.01 billion on development expenditures, comprising Ksh 891 million for buildings and infrastructure (representing 44 percent of the total development spending), followed by medical and non-medical expenditures, which amounted to Ksh. 787 million, or 39 percent of total development expenditure.

Absorption of Development Expenditures

Figure 7 shows annual absorption rates of the development budget for the nine counties for FY 2017/18 in comparison to the previous fiscal year.

Figure 7. Absorption of Development Budget



Absorption of the development budget averaged 55.2 percent for FY 2017/18 compared to 43.7 percent in the previous fiscal year. Migori county had an exceptionally high absorption rate, at 100 percent, which may account for data discrepancies. Busia, Kilifi, and Nakuru counties increased their budget absorption over the review period, while Turkana, Mombasa, and Isiolo counties registered declines in absorption over the same period. Absorption of development budgets remains relatively low, with only 55 percent utilization out of total allocation. Turkana, Mombasa, and Nakuru counties are absorbing less than half of the funds allocated for development. At the close of the fiscal year, the nine counties had a total of Ksh. 1.5 billion intended for development as unutilized funds in their budgets.

Distribution of Development Spending by Economic Category

Figure 8 shows a breakdown by proportion of development expenditure by economic classification, including buildings and other civil works, medical and non-medical equipment, and others including capital transfers.

Figure 8. Proportion of Development Spending by Economic Category, FY 2017/18

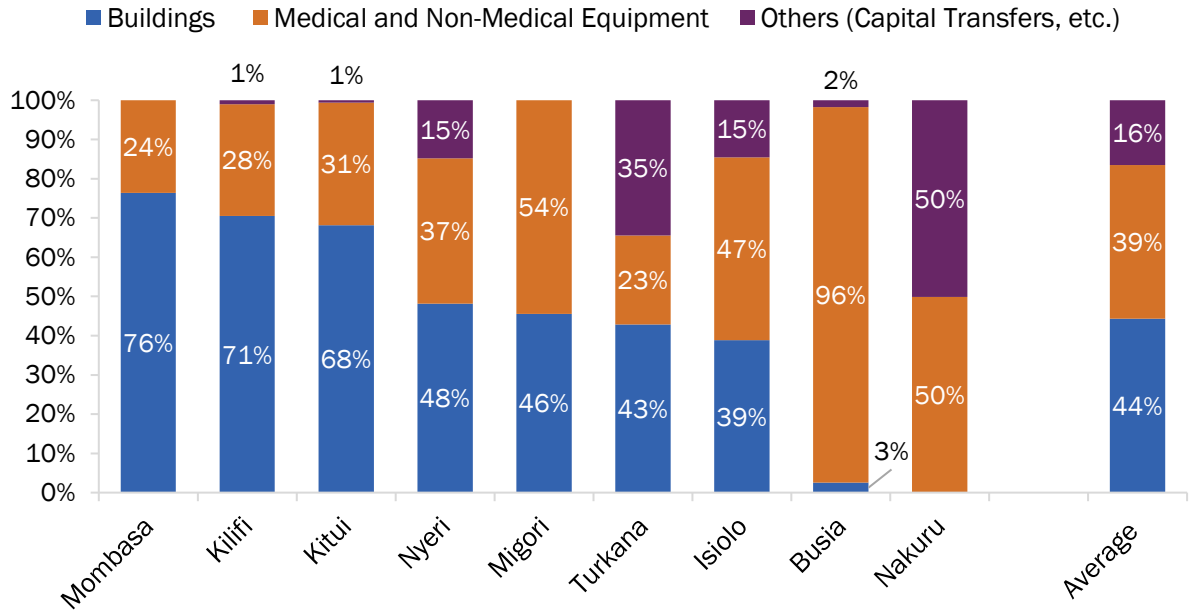


Figure 8 shows that spending on buildings and other civil works dominated the expenditures of most counties, accounting for an average 44 percent, or Ksh. 891 million, in FY 2017/18. Mombasa, Kilifi, and Kitui counties spent the highest proportion of their development budgets on construction of buildings, at 76, 71, and 68 percent, respectively. Busia county spent the least, at 3 percent, while Nakuru county did not provide data on civil works undertaken during the year. Investments in medical and non-medical equipment accounted for 39 percent of the aggregated health spending, with Busia county spending the highest proportion of its budget on equipment, at 64 percent.

Conclusions and Recommendations

Most Kenyan counties—including the nine deep-dive counties—are allocating the highest proportions of their overall budgets to health, demonstrating the continued prioritization of healthcare in resource allocation. Much of the budget funding is financed from national shareable revenue; contributions from individual county resources are minimal in eight of the nine deep-dive counties, contributing less than 10 percent of the health budget. This overreliance on the national exchequer exposes county health departments to the uncertainties that affect the national fiscal space. At the same time, failures by some counties to separate how much revenue is collected as user fees—instead categorizing it as national shareable revenue—results in over-estimation of the actual proportion of funding from national shareable revenue.

Counties should also strengthen collection from their own local revenue sources aimed at supplementing the proportion of county budgets to health, while documenting the resources that are realized internally, to enable accurate assessment of how much is allocated from

county government. Individual county revenues are also useful in mitigating the expenditure gaps that can arise when delays occur in the release of exchequer funds. There has been an overall improvement in recurrent budget execution for the deep-dive counties, from 88 percent in FY 2016/17 to 93 percent by FY 2017/18; however, interventions need to be identified to support the low-performing counties.

Counties are under-allocating and underspending development resources in relation to the expectation of the Public Finance Management Act that counties in the medium-term should spend 30 percent of budgets on development activities. Expenditures on development in FY 2017/18 amounted to 9.2 percent of total health spending—an absorption rate of 55 percent—resulting in the underspending of 2.8 billion in the nine counties. This is an indication that even if more funding was allocated, it would not have been absorbed under development, and still fall short of meeting the requirements of the Public Finance Management Act.

Low development budget absorption signals systematic challenges with county procurement processes, the bottlenecks of which should be studied and solutions proposed. Counties need to strengthen their procurement planning and resolve any established bottlenecks to enable improved utilization of allocated funds. Proper programming of development expenditures should be strengthened at the county level.

Personnel costs dominated county health spending, accounting for over 75 percent of the recurrent budget for FY 2017/2018. While provision of healthcare is highly dependent on human resources, opportunities should be explored for efficiency gains with regard to how counties utilize their human resource budgets.

In the process of bargaining for budgetary resource allocation, the absorption capacity of a health department is often assessed to determine whether there will be a corresponding increase or decrease in the overall health budget. Therefore, it is in the interest of all counties to aim to absorb all budgetary resources as allocated. Counties present different scenarios in absorption of drugs and other medical supplies. All counties, with the exception of Turkana, are absorbing all of their budgets, and Migori and Kilifi counties are exceeding the allocated amount. This implies that execution of budget for drugs and other medical supplies is reasonably efficient and improving for the majority of deep-dive counties.

Given the importance and contribution of public sector financing to the health sector, counties should be provided with the capacity to intensify and expand the depth and scope of resource utilization monitoring to enable timely identification of and response to bottlenecks that lead to underutilization of county health budgets.

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