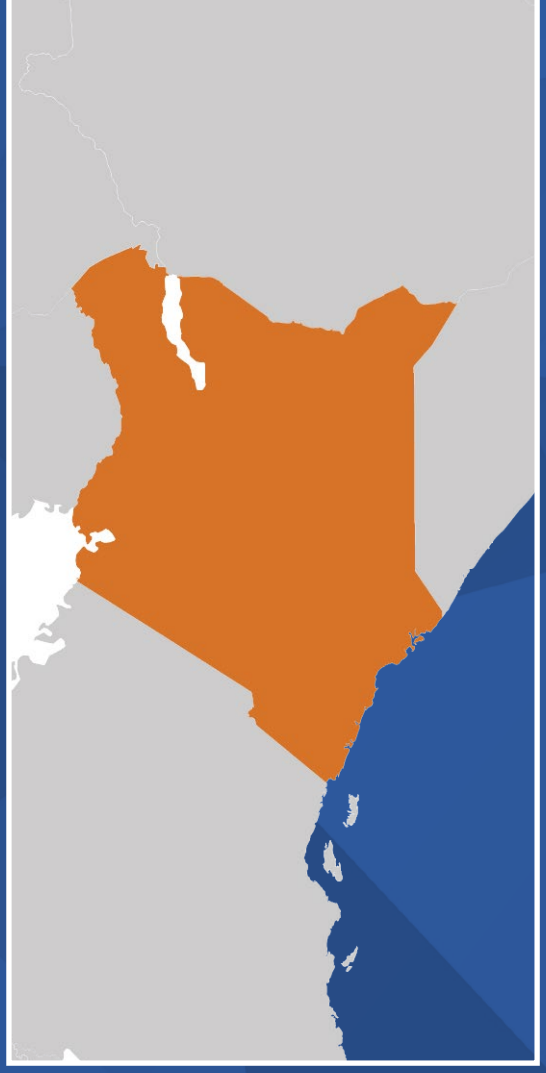

September 2020

PUBLIC HEALTH EXPENDITURES IN KENYA

A Comparative Analysis of Seven Deep-Dive Counties, FY 2018/19

USAID FROM THE AMERICAN PEOPLE

PEPFAR

HP+ HEALTH POLICY PLUS

SEPTEMBER 2020

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Abbreviations

FY	fiscal year
HIV	human immunodeficiency virus
HP+	Health Policy Plus
IFMIS	Integrated Financial Management Information System
Ksh	Kenyan shilling
PEA	public expenditure analysis
PBB	programme-based budgeting
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
USAID	U.S. Agency for International Development

Executive Summary

Introduction

The U.S. Agency for International Development (USAID)-funded Health Policy Plus (HP+) project is providing enhanced support to seven counties in Kenya (Kilifi, Kisumu, Kitui, Migori, Mombasa, Nakuru, and Turkana) to help them define strategies for domestic resource mobilization for health and to identify means for enhancing efficiency in resource allocation and application. The counties were selected based on HIV epidemiological characteristics, geographic location, and potential for synergy with other USAID programs.

The main objectives of a public expenditure analysis (PEA) are to a) evaluate public health expenditures against budgetary allocations with an emphasis on the composition of expenditures and b) assess the extent to which the expenditures are aligned to key inputs for effective attainment of health sector objectives. This PEA excludes analysis of core priority programmes such as HIV and reproductive, maternal, newborn, child, and adolescent health services because of misalignment of approved programme-based budgets and outputs in the Integrated Financial Management Information System (IFMIS).[1] As counties adopt program-based budgeting (PBB) and align their budgets with IFMIS, HP+ will include expenditure analysis by program in the next iteration of the PEA, planned for October to December 2020.

This PEA covers the seven HP+-supported counties and examines how they allocate and use public resources. The PEA is developed in accordance with *Kenya Vision 2030*, which sets out government targets, policies, and programmes to address poverty. The assessment is part of a continuing process that will, over time, improve domestic resource mobilization for health. It attempts to provide a base for decision making that can be expanded and built upon in subsequent PEAs.

Data Sources

This analysis draws on expenditure data from the IFMIS and published reports on budget implementation, including findings from the previous two PEAs in the seven counties. Other sources include the counties' own local revenue records, annual budget implementation reports, and IFMIS-generated reposts (vote books) of departmental expenditures for fiscal years (FYs) 2017/18 and 2018/19. The comparison period in this assessment covers FYs 2017/2018, 2018/2019, and where possible, 2016/2017. Data availability for fiscal year FY 2016/2017 was limited, especially for disaggregated expenditure categories.

Summary of Key Findings

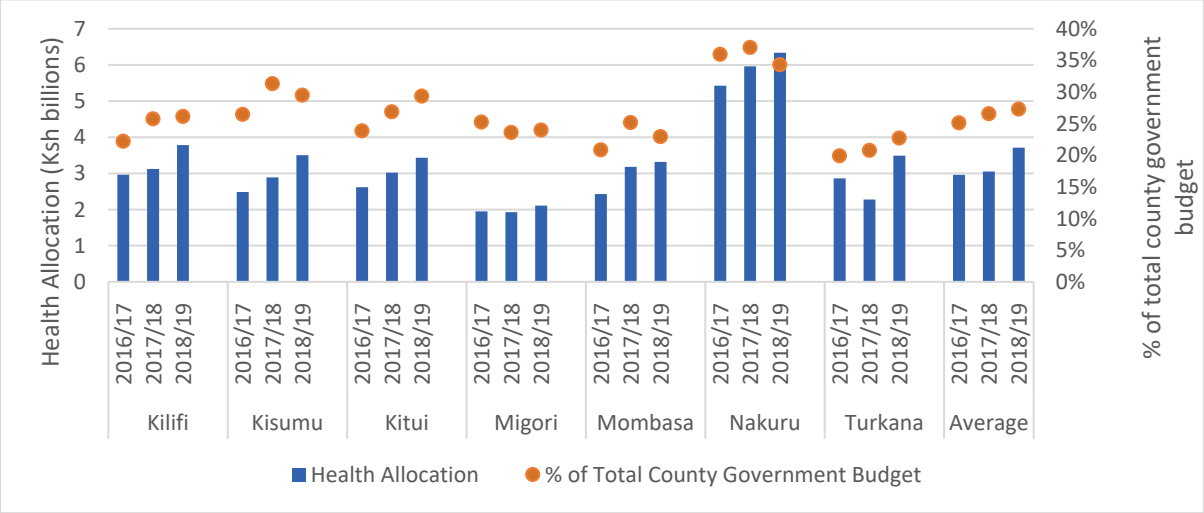
Funding Sources: Health budgets in the seven counties were drawn from four sources: shareable revenue (78 percent), conditional grants from the national government (11 percent), external grants

[1] IFMIS is the centralized public financial transaction management platform used by national and county governments.

and loans (3 percent), and local revenue (7 percent).[2,3] Mombasa County had the highest contribution of local revenue to the health budget (20 percent, Ksh 639.6 million), followed by Nakuru with 11 percent or Ksh 685.0 million. Local revenues accounted for between 1 percent (in Turkana) to 20 percent (in Nakuru) of the county health budgets in 2018/2019.

Budget Allocations to Health: Governments of the seven counties ("deep-dive" counties) have continuously prioritized allocations to the health sector, compared with the average for all Kenyan counties. As described in the figure below, average budget allocations to health in the seven deep-dive counties increased from Ksh 3.0 billion in FY 2017/2018 to Ksh 3.7 billion in 2018/19, an increase of 23 percent, compared to a 3 percent increase over the FY 2016/2017–FY 2017/2018 period.[4]

Health Budget Allocation by County, FY 2016/17–2018/19



Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

The average allocation to health as a percent of total county government budget in the deep-dive counties increased by 3.1 percentage points from FY 2016/17 to FY 2018/19 (25.0 percent to 27.2 percent), compared to a 1.4 percentage point increase for the other counties during the same time (24.3 percent to 25.7 percent). In FY 2018/19, Nakuru County allocated the largest share of its budget to health at 34 percent, followed by Kisumu at 30 percent. Mombasa County allocated the smallest proportion to health at 23 percent of its total budget. See the Annex for detailed allocations by each county.

Health Budget Absorption: In FY 2018/19, the seven counties spent Ksh 21.9 billion of the Ksh 26.0 billion they allocated to the health sector. As described in the figure below, this amount produced an average absorption rate of 84 percent, a reduction from 88 percent in FY 2017/18. However, the

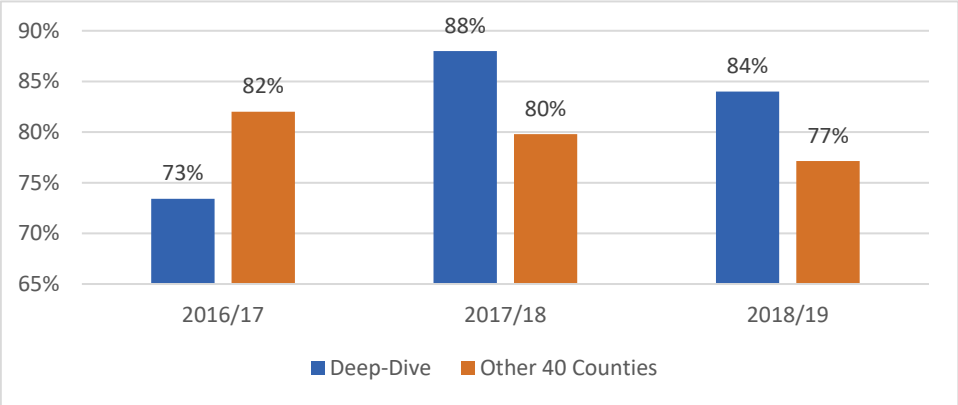
[2] Shareable revenues are those collected by national government and shared between the national government and counties.

[3] Percentages do not equal 100 due to rounding.

[4] All Kenyan shillings reported in this analysis are in nominal terms and not adjusted for inflation. Therefore, some of the increases experienced might be due to inflation in the country at 5.20 percent in FY 2017/18 and 5.16 percent in FY 2018/19.

deep-dive counties show an upward budget absorption performance compared to a declining performance in the rest of Kenyan counties, which dropped from 82 percent in FY 2016/17 to 77 percent in FY 2018/19.

Average Health Budget Absorption Rates in Deep-dive and Other 40 Counties



Source: Office of the Controller of Budget, 2016/17–2018/19

Only three out of seven counties recorded an increase in the budget absorption rate in FY 2018/19 compared to the previous fiscal year—Kitui and Turkana (14 percentage points each) and Mombasa (2 percentage points). Migori County recorded the largest reduction in its budget absorption from 102 percent in FY 2017/18 to 87 percent in FY 2018/2019. In all, Ksh 4.1 billion of the seven counties' total health budget was unspent by the close of FY 2018/19—a figure largely reflecting unspent funds in Nakuru County (Ksh 1.8 billion), Kisumu County (Ksh 748.3 million), and Turkana County (Ksh 700.9 million). The low absorption may be attributed to delay in the release of funds, bureaucracy in procurement, and possible misalignment between budgeting and procurement.

Greater allocations to health do not guarantee high budget absorption. Poor budget absorption rates cause health departments and civil society organizations to lose advocating power for increased funding, as the county government may be reluctant to allocate additional resources to health if health budgets allocations are not spent. Additionally, lower budget absorption means that necessary health services are not delivered to where they are needed, affecting overall health service delivery. The seven deep-dive counties did not spend Ksh 4.1 billion budgeted in FY 2018/2019, an amount sufficient to support public health services in a typical county in Kenya.

Absorption of Recurrent Budgets: Overall, absorption of the recurrent budget in the seven counties declined from a high of 94 percent in FY 2017/18 to 87 percent in FY 2018/19. Only Kilifi and Kitui counties recorded consistent improvements in absorption of their recurrent budget for the three fiscal years (FY 2016/17–2018/19). The decline in the absorption of the recurrent budget for health can be attributed to delayed disbursement of funds from the National Treasury to the counties, challenges with internal procurement processes, and other administrative issues. For instance, in Migori, the decline observed in absorption was due to a delay in the release of funds, while in Turkana, the National Treasury may have allocated budget amounts beyond the county's current absorption capacity. On the other hand, the improved absorption rates observed in Kilifi and Kitui counties may be attributed to strong political will and support for the health sector from the county leadership, which facilitated release of funds. The National Treasury is instituting changes under public financial management reforms to redress the delay in release of funds.

Despite a marginal decrease, expenditures for personnel emoluments constitute almost three-quarters of the recurrent health budget in the deep-dive counties, much higher than the 50 to 60 percent recommended under the Public Financial Management Act (PFMA) (Republic of Kenya, 2012), crowding out much needed health resources for other vital recurrent expenditures. In FY 2018/19, the seven counties spent an average of 71 percent of their recurrent health budget on personnel emoluments, a slight decline from 73 percent in the previous fiscal years. At 86 percent, Kisumu County had the highest proportion of recurrent spending on personnel emoluments in FY 2018/19.

Absorption of Development Budgets: The absorption rate of the development budget in the deep-dive counties is low, though increasing from 58 percent in FY 2017/18 to 64 percent in FY 2018/19. The average absorption of the development budget in the rest of the Kenyan counties is even lower, though showing an increase from 50 percent in FY 2017/18 to 55 percent in FY 2018/19. Four of the seven deep-dive counties have improved their development budget absorption year over year, with Kitui County recording the highest improvement–from 62 percent in 2017/18 to 99 percent in FY 2018/19. Migori County recorded the biggest decline, from 100 percent in FY 2017/18 to 48 percent in FY 2018/19. The overall low absorption rate of development budgets is driven by delays in the approval of building plans and non-payment to contractors and vendors for late delivery of supplies.

Conclusions and Recommendations

Health continues to be a priority for the seven deep-dive counties in Kenya. At the aggregate level and in comparison to all other Kenyan counties, the seven deep-dive counties continue to increase their health budget allocations and expenditures. However, average estimates obscure differences in deep-dive counties' recurrent and development budget allocation and expenditure performance. In FY 2018/19, absorption for both recurrent and development budgets does not show the expected level of progress. Overall recurrent budget absorption dropped by 7 percentage points in FY 2018/19, and development budget absorption remains low at 64 percent despite improvements from the previous fiscal year.

Building on these key findings, this assessment report recommends the following concrete actions for improvements, with a focus on counties with poor and inconsistent performance:

1. Counties are encouraged to advocate for and advance regulations allowing them to retain and spend locally generated revenues. Successful initiatives in Nakuru and Mombasa to ring-fence health revenues should be replicated in other counties.

2. Counties should take concrete actions to resolve budget execution bottlenecks, especially in Nakuru, Kisumu and Turkana counties where performance has been poorer than in the rest of the deep-dive counties. Their focus should be on the timely release of budgets, early procurement planning linked with the overall budget cycle, and efficient cash planning.

3. County health planning units should track quarterly health budget expenditures at the county and health department level and use the information to engage county health management team members so that bottlenecks are identified and relevant course corrections are made in a timely fashion. When supplementary revisions to the budget are undertaken during implementation, county health management teams should liaise with

county treasuries to make timely reallocation of funds from budget line items where expenditures are delayed to other spending programs. This reallocation will ensure an increase in overall sector absorption within the financial year.

4. Counties should develop the capacity to adhere to the 2012 PFMA. In the deep-dive counties, these developments consist of improvement in programme-based budgeting capacity, advocacy for early preparation of annual workplans and cash forecast to facilitate improved budget absorption rates, and use of quarterly reports to reallocate resources from slow expenditure items.

5. Counties should adopt measures to rationalize personnel expenditures. Nakuru, Mombasa, and Kilifi counties have valuable lessons that can be shared, especially on rationalizing staffing and hiring more personnel on contract.

Introduction

This assessment report examines the allocation and use of county public health expenditures for the seven deep-dive counties. It assesses county public health expenditure patterns and how counties use their resources to deliver health services. The assessment report analyses the sources of county health funding, assesses county health budget allocations vis-a-vis their overall budget, and examines how the county health departments use allocated funds, both recurrent and development. This report concludes with a summary of key findings and presents recommendations for action for improvements in the seven deep-dive counties.

In Kenya, county governments are responsible for mobilising and allocating financial resources for health-related activities to meet their health goals and priorities. Different departments, including health, compete for county government resources. In almost all cases, the departments' financial needs far exceed the resources available and hence, departments receive less than they had proposed in their budgets. A department's underspending of allocated resources may lead to reduced allocations in subsequent financial years, affecting the counties' ability to meet their goals, including intended health outcomes.

The Health Policy Plus (HP+) project, funded by the U.S. Agency for International Development (USAID) and the Sustainable Financing Initiative under the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), helps national and county governments analyse annual budget spending as part of broader enhanced support to seven focus ("deep-dive") counties—Kitui, Kilifi, Kisumu, Migori, Mombasa, Nakuru, and Turkana. The goal of the enhanced support is to improve selected health financing indicators and build internal capacity for sustainable health financing. These counties were selected based on HIV epidemiological characteristics, geographic location, and the presence of other USAID partners that allow counties to leverage and support their planning and budgeting work. HP+ has engaged these counties in generating evidence that can be used to inform policy, strengthen internal planning and budgeting capabilities, and mobilize resources towards sustainable health financing and improved health outcomes. Continuous monitoring of resource utilization, for instance, enables managers to identify and respond to bottlenecks that lead to underutilization of county health budgets.

Methods and Limitations

Data Sources

Budget and expenditure data used in this analysis were obtained from the Integrated Financial Management Information System (IFMIS) reports for county departments of health.[5] The analysis also relied on other sources, such as local revenue records and the counties' annual budget implementation reports issued by the national Office of the Controller of Budget. Where a county did not have current IFMIS reports, the assessment used available data on internal departmental expenditures and combined them with the published reports on budget implementation from the

[5] IFMIS is the official and centralized financial transaction management platform used by national and county governments.

Office of the Controller of Budget. An annex at the end of this report provides tables showing disaggregated data for each county's performance.

Data Analysis

The study analysed expenditure data for the fiscal years (FYs) ending June 30 of 2019, 2018, and where possible, 2017. The data from each of the seven counties were analysed separately to generate county-specific expenditure reports for the period under review. These data were then compared with standardized information for the remaining 40 counties compiled by the Office of the Controller of Budget. The study followed the standard Kenya government chart of accounts guidelines and coding structure for budget preparation and implementation to determine allocations and expenditures. All Kenyan shillings reported in this analysis are in nominal terms; increases or decreases from one year to the next are not adjusted for inflation.

The analysis sought to determine budget implementation performance across different categories. It also included detailed cross-county analysis of total budget absorption in each deep-dive county in various budget categories. Further, the study assessed expenditures along several key resource allocation and resource use indicators: the ratio of development to recurrent spending, the proportion of recurrent spending on essential drugs and personnel emoluments, the proportion expended on operations and maintenance, the proportion of spending on buildings and construction, the proportion of spending on equipment, and the proportion of spending on grant transfers to subsidiary institutions. All data analysis was carried out in Microsoft Excel.

Limitations

The results reported in this study should be considered in light of some limitations that may affect the interpretation of the key findings. Only Mombasa and Nakuru counties had updated all expenditures on the IFMIS at the time of the study, and the researchers had to source information for other counties from expenditure records maintained internally at the department level. Reliance on department-level data was the case especially with local revenues, where counties spent outside the IFMIS and took time to reconcile. Although the financial data provided by the counties had not yet been audited at the time of the analysis, the counties confirmed that they were representative of the final audited data and therefore could be used for this report. Expenditure records for most counties could not be disaggregated by program and sub-program level, and consequently, this assessment could not analyse programs such as HIV services. HP+ is working with the seven deep-dive counties to track HIV budget and absorption performance for the next PEA.

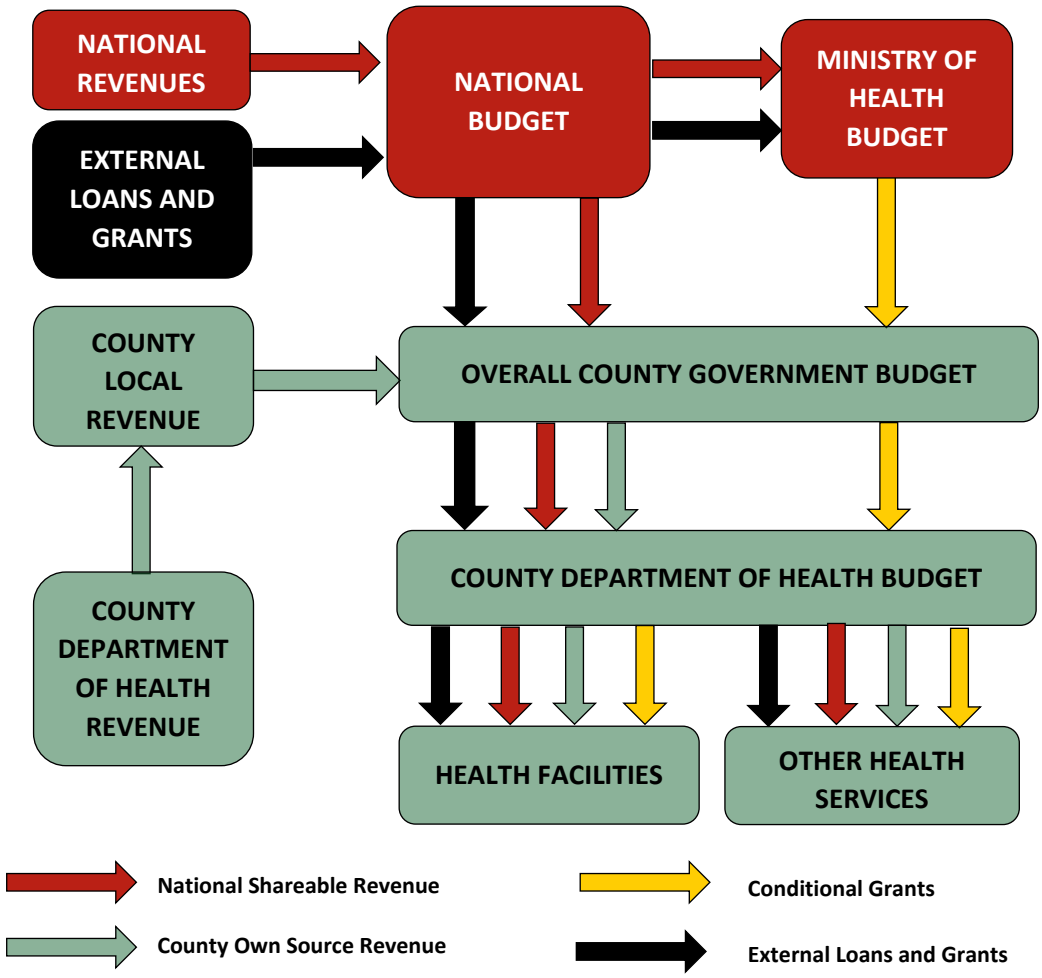
There are also limitations faced in data comparisons across fiscal years. The comparison period in this assessment covers FYs 2017/18, 2018/19, and where possible, 2016/17. Data availability for FY 2016/17 was limited, especially at the level of disaggregated expenditure categories. Therefore, comparisons are limited largely to FY 2017/18 and FY 2018/19. In addition, inconsistency in the use of budget and expenditure item codes made it difficult to compare programs across financial years.

Findings

Funding Sources for Healthcare Services

Health services delivered by county governments are funded from four sources: national shareable revenue, conditional grants, external loans and grants, and county revenues (see Figure 1). National shareable revenues consist of direct fiscal unconditional allocations from the national government to the counties, with counties having discretion on how the funds are allocated locally. Conditional grants from the national government, on the other hand, are intended to support level five hospitals and compensate facilities for losses from the abolition of user fees.[6] External loans and grants, mainly on-budget, are provided by development partners such as the World Bank and the Danish International Development Agency to support health sector reforms. The county's own revenue consists of funds collected locally and part of it is used to fund the activities of the health departments or put into the County Revenue Fund and shared across all sectors.

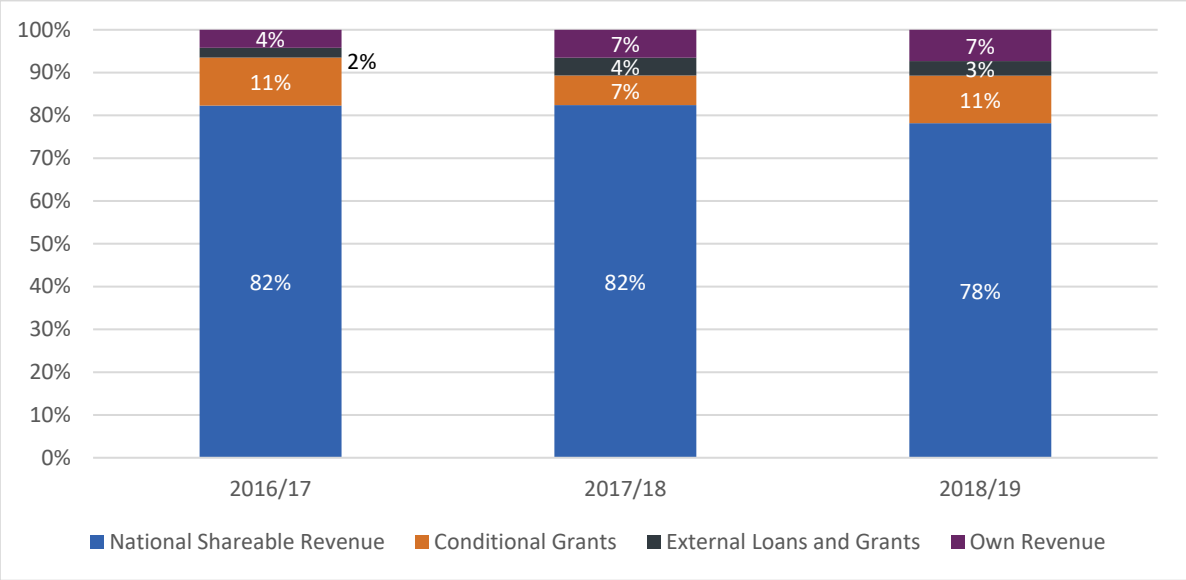
Figure 1. National and County-Level Fund Flows



[6] The government in 2013 abolished user fees at primary level facilities and has since been compensating these facilities for lost revenue.

Figure 2 shows funding contributions to health budgets by source in the seven deep-dive counties during FY 2016/17 to FY 2018/19. National shareable revenue is the principal source of funding for county health services, contributing 82 percent of the budget in FY 2016/17 and 2017/18, decreasing to 78 percent in FY 2018/19. Conditional grants ranked second, contributing 11, 7, and 11 percent respectively over the same period. Local revenues collected within county health departments as user fees contributed 4 percent of the health budget in FY 2016/17, increasing to 7 percent in FY 2017/18 and FY 2018/19. On-budget external loans and grants were low, contributing 2, 4, and 3 percent of county health budgets. The low and fluctuating contribution from external sources reflects the unreliability and unpredictability of these resources.

Figure 2. Contribution of Funding Sources to Health Budgets, FY 2016/17–2018/19



Note: Percentages do not equal 100 due to rounding. Own revenue data for 2016/17 cover four counties.

National shareable revenue remains the dominant source of funding for county health services, accounting for 82 percent of all health funds in both FY 2016/17 and FY 2017/18 and 78 percent in FY 2018/19 (see Table 1). Compared to the rest of the deep-dive counties, Mombasa, Kisumu, and Nakuru counties receive the highest proportion from conditional grants directly from the national government—at 25 percent, 19 percent, and 11 percent, respectively—for hosting level five hospitals. The three counties also have comparatively higher contributions from their own revenues, mainly due to the presence of level five hospitals whose user fees and volume of services may be higher than those of level four and below. In Migori County, the proportional contribution from conditional grants reflects leasing of medical equipment under the managed equipment services.

Table 1. Health Budget Funding Sources by County, FY 2018/2019

County	Funding Sources for Country Health Budget			
	National Shareable Revenue	Conditional Grants from National Government	External Loans and Grants	Own Revenue
Nakuru	76%	11%	2%	11%
Kisumu	70%	19%	3%	9%
Kitui	92%	1%	5%	2%
Kilifi	88%	6%	4%	3%
Migori	80%	11%	6%	4%
Turkana[7]	89%	6%	4%	1%
Mombasa[8]	53%	25%	2%	20%
Average	**78%**	**11%**	**3%**	**7%**

Source: Office of the Controller of Budget, 2016/17-2018-19

Overall Budget Allocation to Health

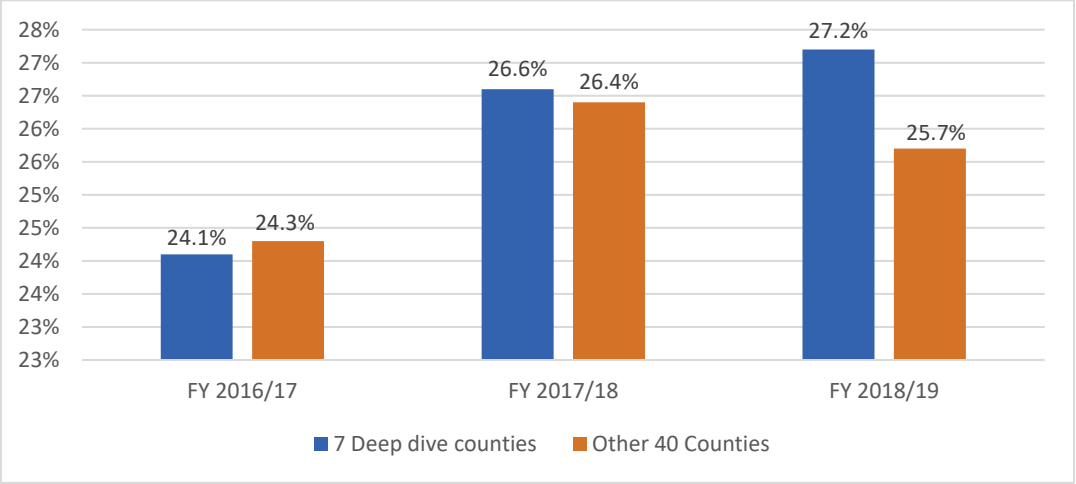
County governments allocate a proportion of their financial resources to health and other sectors, depending on the priority given to each sector, and using an elaborate budgeting process aimed at reflecting county priorities on the budget. As Figure 3 illustrates, health continues to be a priority in the seven deep-dive counties. The average allocations to health in the deep-dive counties maintained an upward trend from 24.1 percent in FY 2016/17 to 27.2 percent in FY2018/19. In comparison, the rest of the counties increased their average allocation from 24.3 percent of the total county budget in FY 2016/2017 to 26.4 percent in FY 2017/18 but decreased to 25.7 percent in FY 2018/19.

In absolute terms, allocations to health in the seven deep-dive counties increased from Ksh 22.4 billion in FY 2017/18 to Ksh 26.0 billion in 2018/19.

[7] Includes personnel emoluments, which are managed under county public service board.

[8] Includes internally generated revenue which is not published as part of the budget estimates.

Figure 3. Average County Budget Allocation to Health in Deep-dive versus Other 40 Counties, FY 2016/17–FY 2018/19

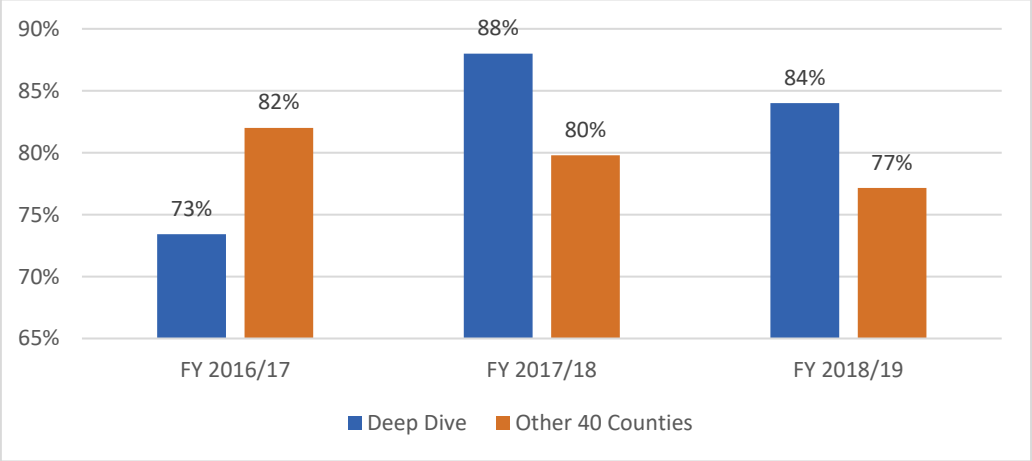


Source: Office of the Controller of Budget, 2016/17–2018/19

Overall Health Budget Absorption

As Figure 4 shows, the average budget absorption in the deep-dive counties increased between FY 2016/17 and FY 2017/18, from 73 percent to 88 percent, dropping by 4 percentage points in FY 2018/19. The decline in FY 2018/19 was partly due to late approval of a Division of Revenue bill by the Senate, which affected the cash release to counties. Despite this decrease, the seven deep-dive counties are performing better than the rest of the 40 counties. In contrast, average budget absorption in the 40 counties declined during the study period, from 82 percent in FY 2016/17 to 77 percent in FY 2018/19. The fluctuating performance and the decrease in overall budget absorption in FY 2018/19 indicate a loss to funds that would have been otherwise available to the health sector. In FY 2018/19 alone, Ksh 4.1 billion was not spent, which is more than the average health budget of a county, leading to significant loss of scarce resources in the seven deep-dive counties. See the Annex for detailed budget absorption rates for each county.

Figure 4. Average Health Budget Absorption in Deep-Dive versus Other 40 Counties, FY 2016/2017–2018/2019

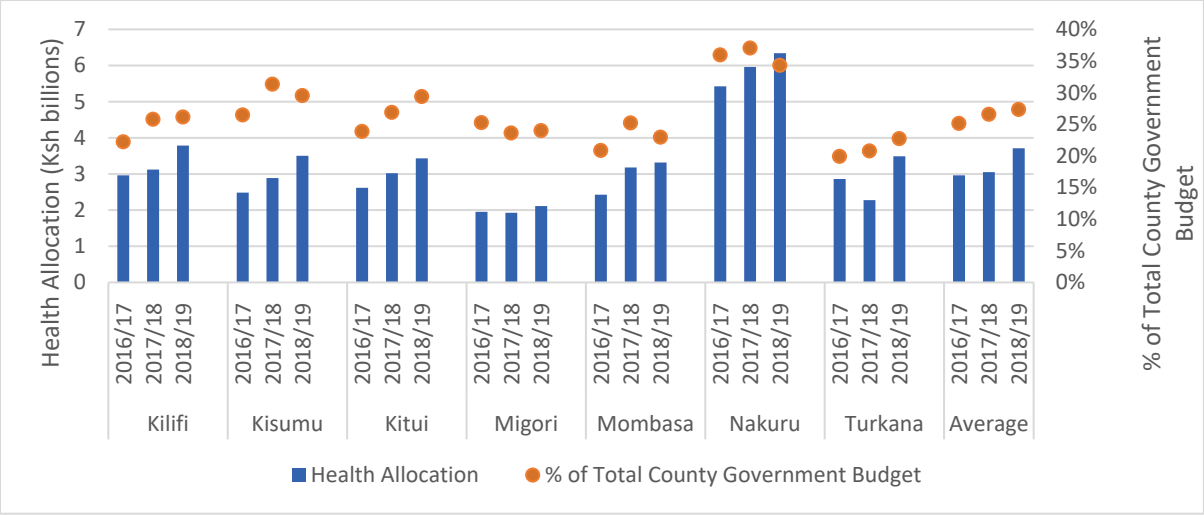


Source: Office of the Controller of Budget, 2016/17–2018/19

Health Budget Allocation by County

While average budget allocations for the seven deep-dive counties show an upward trend, there are inter-county disparities in maintaining improved budget allocation to health as a proportion of the total county government budget. During FY 2016/17 and FY 2018/19, only Kitui and Turkana showed improved budget allocations as proportion of total county government budget, while Kilifi maintained its FY 2017/18 allocation level (see Figure 5). The rest of the counties have experienced declining levels of health budget allocations as a proportion of total county government budget, including Nakuru which has had the highest proportional allocation to health, dropping by 3 percentage point in FY 2018/19.

Figure 5. Health Budget Allocation by County, FY 2016/17–2018/19



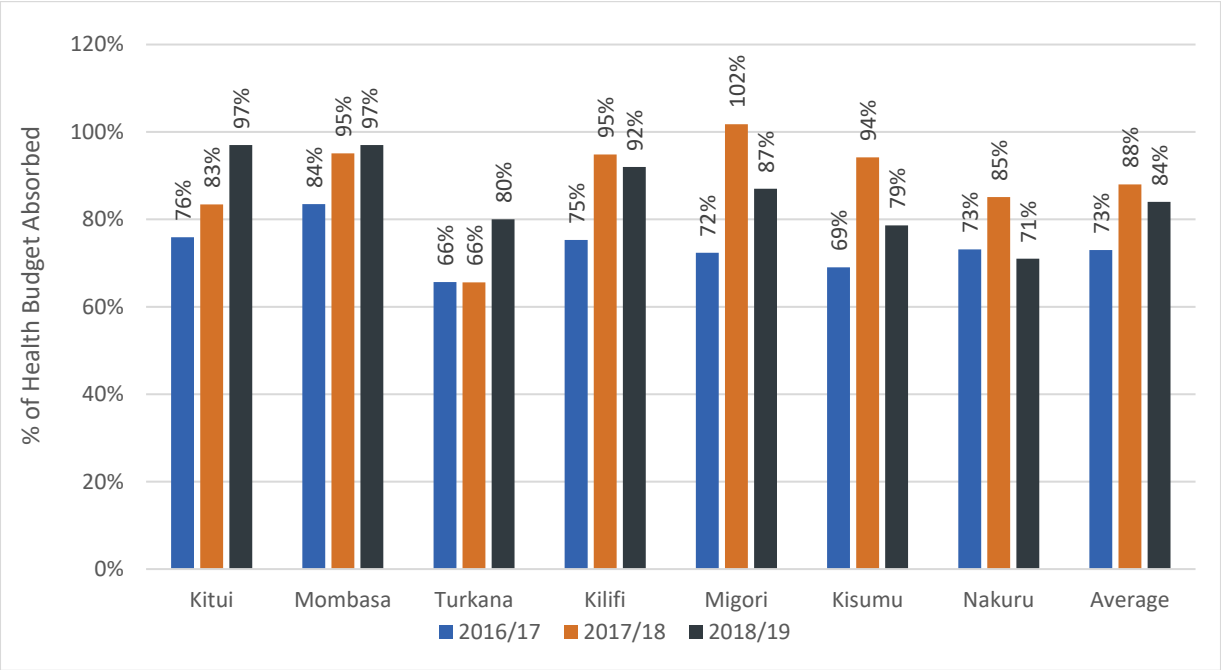
Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Health Budget Absorption by County

Some counties maintain more consistent improvement in budget absorption than others. Kitui and Mombasa counties improved their health budget absorption over the last three years, with both counties peaking at 97 percent in FY 2018/19 (see Figure 6). Turkana increased its budget absorption rate to 80 percent compared to 66 percent in the previous two fiscal years. Kilifi performed well at 92 percent in FY 2018/19, despite a decrease of 3 percentage points from the previous year. The strong political will and county leadership focus on health facilitated release of funds to the health sector in these counties and led to the continued improvement in budget absorption.

Despite an impressive budget absorption performance in FY 2017/18, Nakuru, Migori, and Kisumu counties have not been able to maintain or build on their previous success. Budget absorption rates declined about 15 percentage points in each of these counties in FY 2018/2019 over the previous year. Late preparation of cash forecast and delay in procurement may have contributed to low budget absorption rates in these three counties.

Figure 6. Health Budget Absorption in Deep-Dive Counties, FY 2016/17

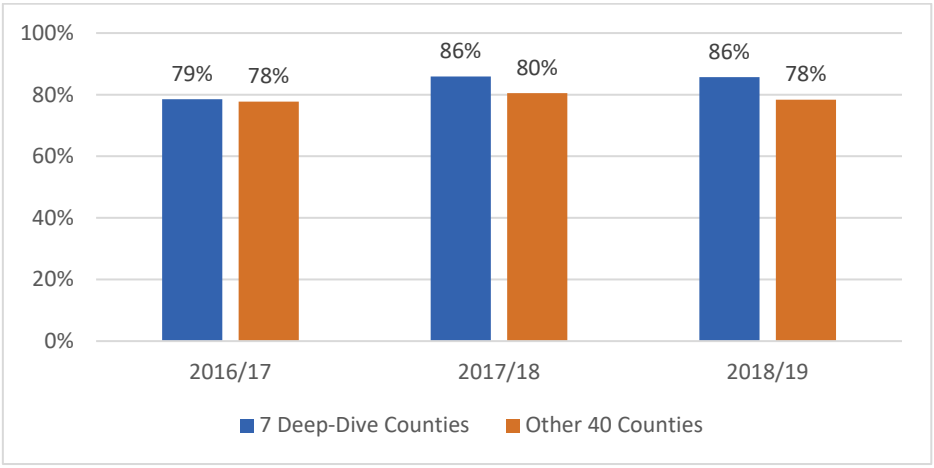


Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Recurrent Health Budget Allocation

Figure 7 shows the seven deep-dive counties average recurrent health budget allocations against the rest of the 40 counties for FY 2016/17 to FY 2018/19. The proportion of recurrent health budget allocation for the seven deep-dive counties in both FY 2017/18 and 2018/19 remained high at an average of 86 percent, an increase of 7 percent compared to FY 2016/17. In comparison, the 40 other counties increased the proportion of their recurrent health budget allocation from an average of 78 percent in FY 2016/17 to 80 percent in FY 2017/18, dropping back to 78 percent in 2018/19.

Figure 7. Average Recurrent Health Budget Allocation in Deep-Dive Counties versus Other 40 Counties, FY 2016/17–FY 2018/19



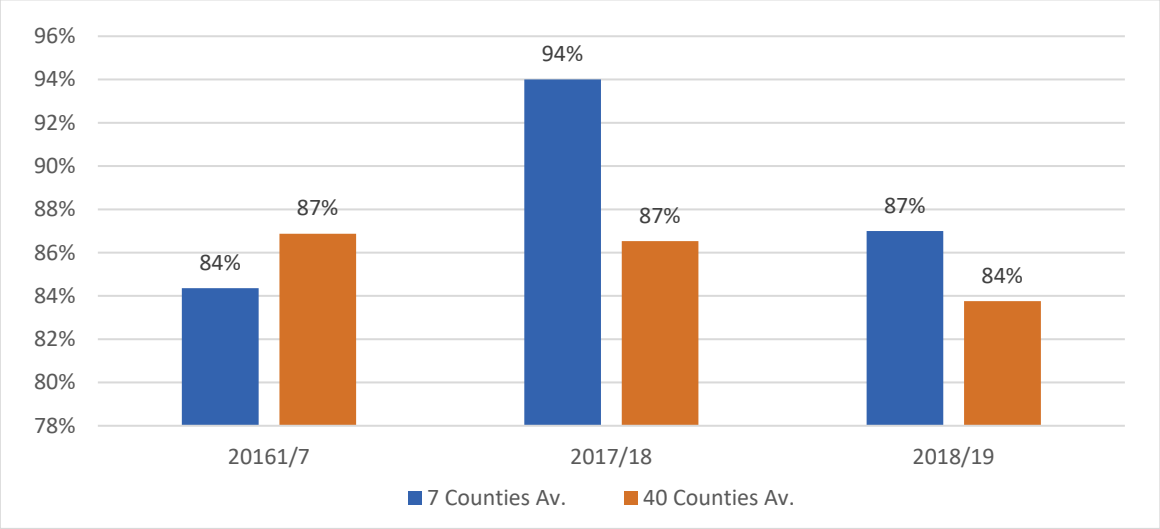
Source: Office of the Controller of Budget, 2016/17–2018/19

Recurrent Health Budget Absorption

Figure 8 shows the average budget absorption for recurrent budgets in the seven deep-dive counties and compares it with average performance in the other 40 counties over three fiscal years. Despite significant gains in 2017/18, absorption of recurrent budgets in the seven deep-dive counties dropped by 7 percentage points in FY 2018/19. On average, the seven deep-dive counties spent 87 percent of their health budgets on recurrent expenditures in FY 2018/2019, a decline from 94 percent during the previous fiscal year. In contrast, the rest of the 40 counties spent an average of 87 percent of their recurrent budgets in FY 2016/17 and FY 2017/18, and 84 percent in FY 2018/19. See the Annex for recurrent budget allocations and expenditures for all counties.

The decrease in the seven deep-dive counties recurrent budget absorption is caused mostly by underspending in personnel emoluments and operations and maintenance. On average, however, the seven deep-dive counties still perform better than the rest of the 40 counties.

Figure 8. Average Absorption of Recurring Health Budgets in Deep-Dive versus Other 40 Counties, FY 2016/17–FY 2018/19

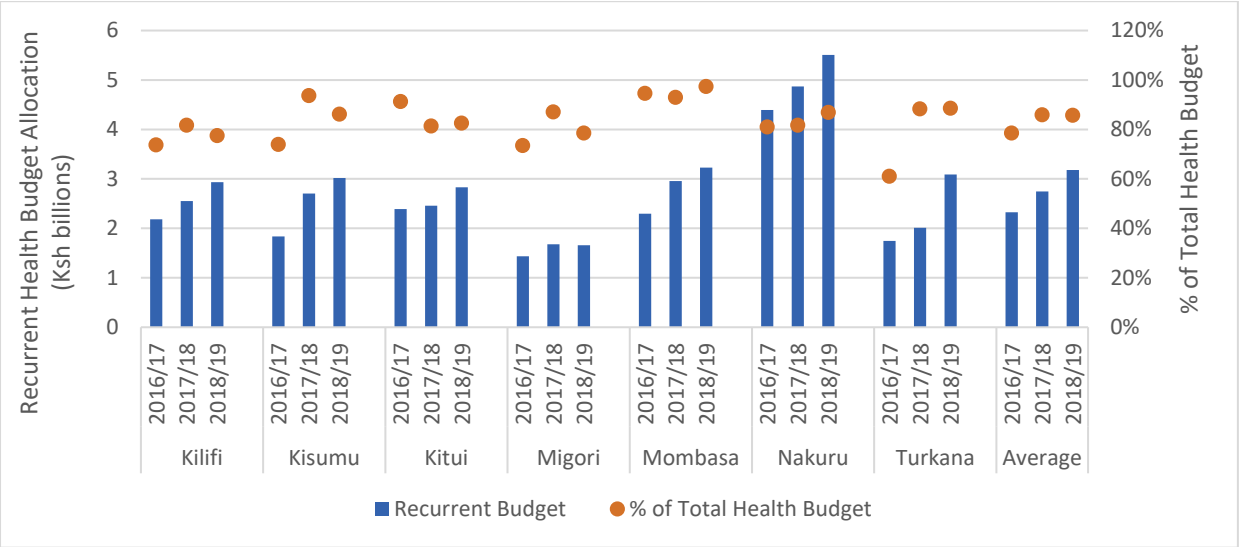


Source: Office of the Controller of Budget, 2016/17–2018/19

Recurrent Health Budget Allocations by County

The seven deep-dive counties have continued to increase their budget allocations to recurrent health expenditures over the last three fiscal years (see Figure 9). Mombasa recorded the highest allocation to recurrent health budgets with a high of 97 percent and Kilifi the lowest at 77 percent in FY 2018/19.

Figure 9. Recurrent Health Budget Allocation by County, FY 2016/17–FY 2018/19

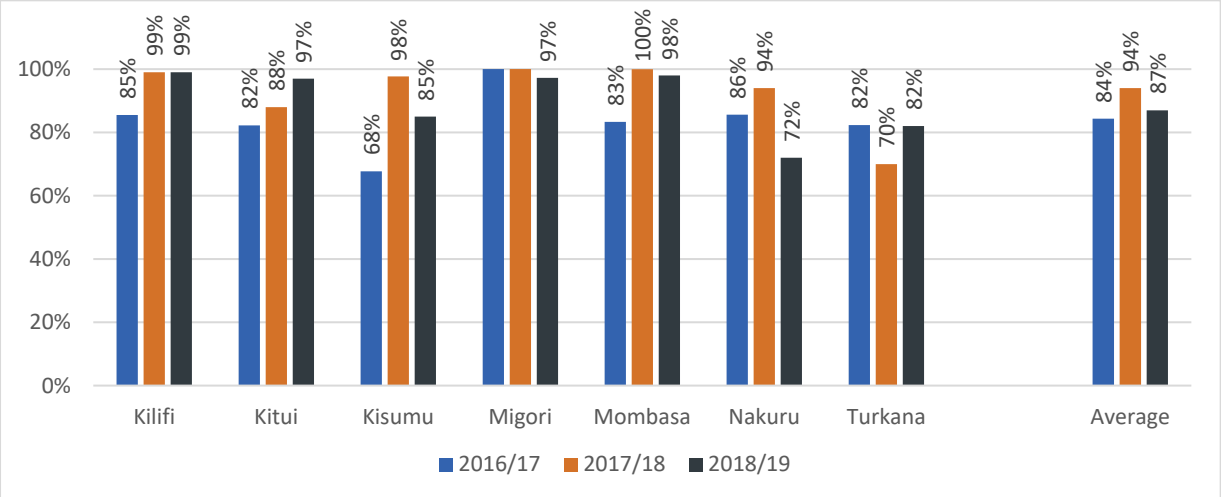


Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Recurrent Health Budget Absorption by County

At the county level, recurrent budget absorption rates trends vary, with some showing consistent improvement while others are experiencing declines. Kilifi and Kitui have demonstrated improved absorption rates over the last three fiscal years and Turkana's absorption rate recovered in FY 2018/19 following a drop in the previous fiscal year (see Figure 10). The 7- percentage-point drop in the average absorption of recurrent expenditures is explained by significant underspending in Nakuru and Kisumu counties, dropping by 22 and 13 percentage points respectively. The underperformance in recurrent budget absorption in Nakuru and Kisumu is due to significant underspending in personnel emoluments, drugs, and other medical supplies as well as operations and maintenance.

Figure 10. Absorption of Recurrent Budgets, FY 2016/17–FY 2018/19



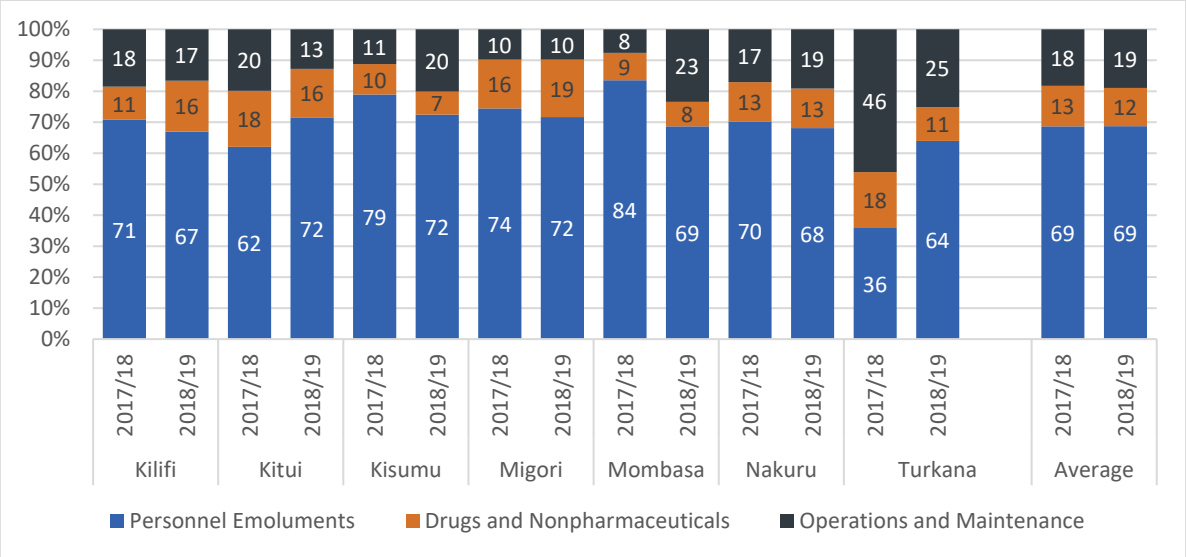
Source: Republic of Kenya, 2016/17–2018/19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Recurrent Health Budget Allocation by Economic Category

Recurrent allocations for health are divided into four categories: personnel emoluments; drugs and non-pharmaceutical supplies; general operations and maintenance; and other recurring expenses, including grants and transfers to county institutions.[9,10] Figure 11 shows the distribution and proportion of recurrent health allocations in the seven deep-dive counties for FY 2017/18 and FY 2018/19. Disaggregated data by economic category for FY 2016/17 were not available for this analysis.

The average recurrent budget allocation as a proportion of total health budget show mixed results. The proportion of personnel emoluments budget remained high at 69 percent in both FY 2017/18 (Ksh 19.7 billion) and FY 2018/19 (Ksh 21.8 billion). Allocations to drugs and non-pharmaceutical supplies decreased from 13 percent (Ksh 2.6 billion) to 12 percent (Ksh 2.7 billion) despite increasing in absolute terms, and operations and maintenance increased from 18 percent (Ksh 3.6 billion) to 19 percent (Ksh 4.1 billion).

Figure 11. Proportion of Recurrent Allocation by Economic Category, FY2017/18 and FY 2018/19



Note: Percentages may not equal 100 due to rounding
Source: Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

The high proportion of recurrent allocations for personnel emoluments shows that the deep-dive counties continue to shoulder considerable financial responsibilities for wages, leaving less resources available for other expenditures such as drugs and operations. As Figure 11 shows, Kitui and Turkana increased personnel emolument allocations over the two fiscal years while the rest of the seven counties reduced such allocations.

[9] Unless otherwise stated, data compiled for proceeding section were obtained from counties' expenditure returns and IFMIS analysis, which may not entirely be consistent with data from county budget implementation review reports.

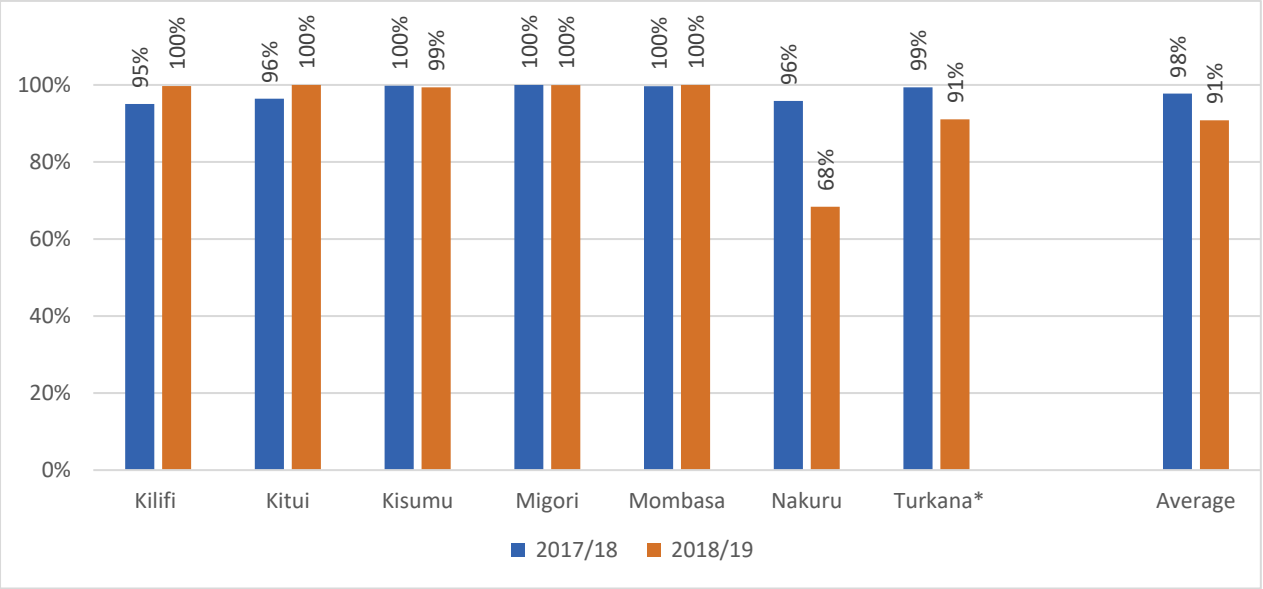
[10] Personnel emoluments refers to salaries and allowances; drugs and non-pharmaceutical supplies refers to medicines and other medical supplies; general operations and maintenance; and other recurring expenses refers to cost associated with the running and maintenance facilities; grants and transfers to county institutions refers to funds passed to other facilities such as level five hospitals.

Absorption of Personnel Emoluments

The decline in the average budget absorption for personnel emoluments from 98 percent in FY 2017/18 to 91 percent in FY 2018/19 is driven by significant decreases in Nakuru and Turkana counties (see Figure 12).[11] Nakuru County faced administrative challenges—the county public service board was not constituted in FY 2018/19 due to delays in resolving a legal dispute that affected implementation of the county personnel budget.[12] Nakuru left unspent allocations for staff promotions and health worker allowances, staff replacements, and hiring of new staff. The slowdown in spending led to significant declines in the absorption rate between FY 2017/18 and FY 2018/19, from 96 percent to 68 percent. In Turkana County, the increase in budget allocation for personnel emoluments did not result in an increase in absorption of those funds in 2018/19, but rather a decrease in 8 percentage points over the previous year.

The personnel budget in Turkana County is not allocated by sector (e.g. health) but managed centrally by the county public service board. This situation presented challenges in extracting data to determine the total personnel budget apportioned to the health sector. It is not certain whether all those who were reported to have been paid using the health budget are employed by the health sector.

Figure 12. Absorption of Personnel Emoluments Budget by County, FY 2017/18 and FY 2018/19



Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Absorption of Drugs and Other Medical Supplies

Figure 13 shows that average absorption of health budgets allocated to drugs and non-medical supplies in the deep-dive counties declined slightly from 92 percent in FY 2017/18 to 90 percent in FY 2018/19. While Kilifi, Migori, and Mombasa spent all or beyond the budgeted amounts during FY

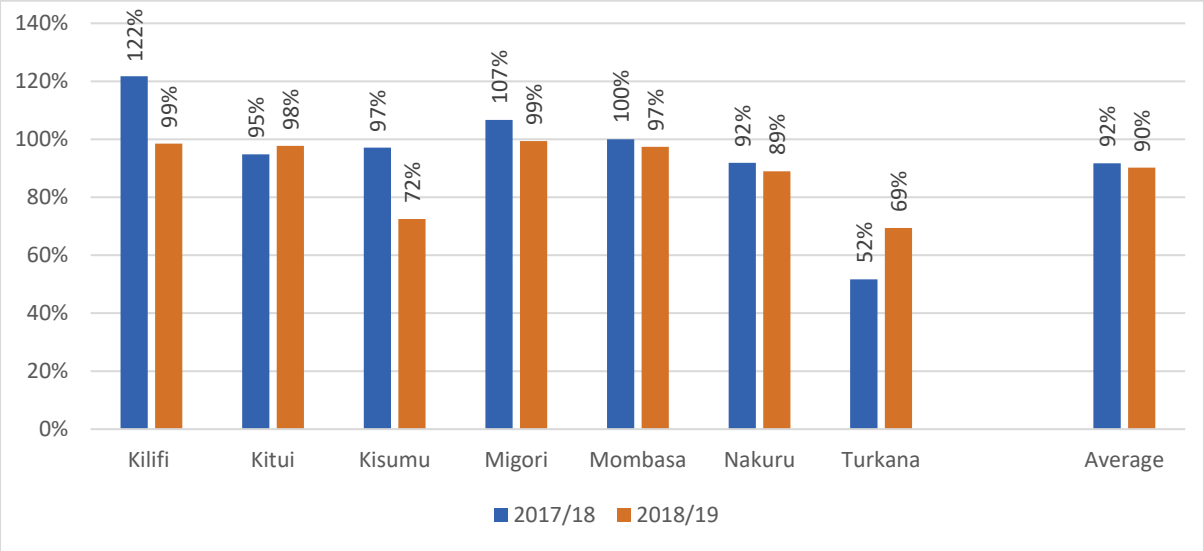
[11] Personnel emoluments for Turkana County are consolidated at the county public service board. The figures used in this case are estimates provided by the county Department of Health.

[12] County public service boards are responsible for overall management of county government staff, including hiring.

2017/18 (see Annex), lower average absorption rates are partly a result of residual budget underbudgeting in these counties. Underbudgeted areas in these counties were supplemented with resources from other budget line items and therefore showed above 100 percent in FY 2017/18. The rest of the counties, except for Kitui and Turkana, all experienced declining absorption rates for drugs and other medical supplies. While Turkana shows an improved absorption rate for drugs and other medical supplies, data analysis shows that the county may have an underlying absorption bottleneck for this category; the county's improved absorption rate may be a result of decreasing its allocation for drugs and other medical supplies from 18 percent (Ksh 434 million) in FY 2017/18 to 11 percent (Ksh 336 million) in FY 2018/19, and not due to introducing efficient budget execution measures.

Across the seven counties, Ksh 265 million meant for drugs and non-pharmaceuticals remained unused at the close of FY 2018/19, compared to Ksh 205 million the previous year. One underlying bottleneck, in addition to low absorption capacity in some counties, is that counties that source health commodities from the open market spent less on drugs and non-pharmaceuticals because the process takes longer than if they purchased them from the Kenya Medical Supplies Authority (KEMSA). However, under the revised Health Laws (amendment) Act of 2019. counties are now required to procure all essential medical supplies from KEMSA, which may lead to improved absorption.

Figure 13. Absorption of Drugs and Other Medical Supplies by County, FY 2017/18–FY 2018/19



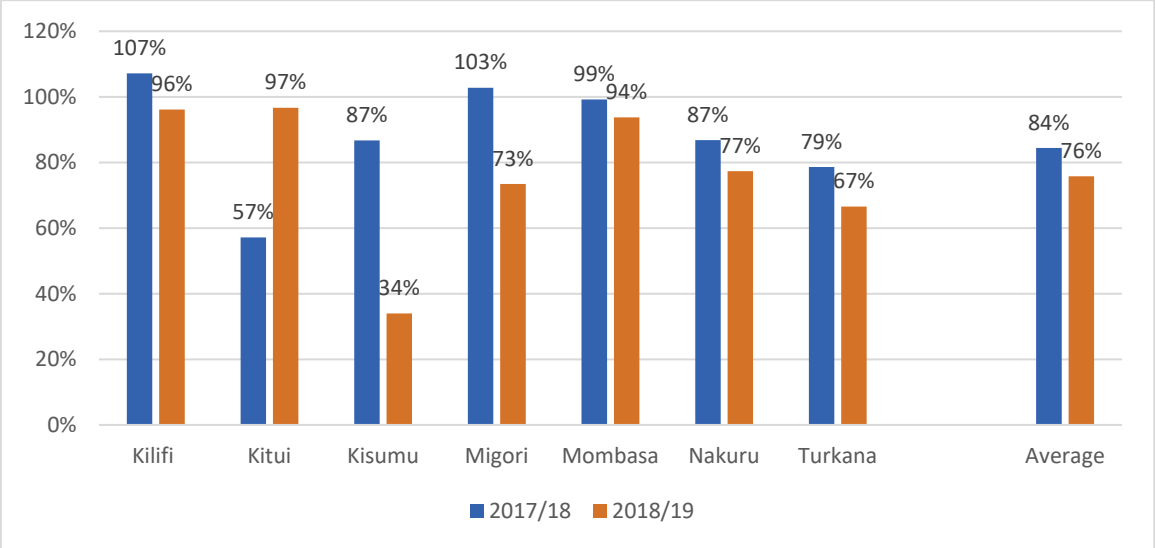
Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Absorption of Operations and Maintenance

Figure 14 shows the absorption rates for operations and maintenance, including other transfers to levels two and three primary care facilities, in the deep-dive counties for FY 2017/18 and FY 2018/19. The seven counties recorded a significant decline in average absorption of their operations and maintenance budget from 84 percent in FY 2017/18 to 76 percent in FY 2018/19. Kisumu County recorded the most significant decline, from 87 percent in FY 2017/18 to 34 percent in FY 2018/19. Only Kitui County showed improved performance over the review period. Early assessments point to two major bottlenecks driving this decline. First, expenditures on operation and maintenance have

received relatively lower priority compared to other recurrent expenditure categories in FY 2018/19. Second, the release of funds during FY 2018/19 was consistently delayed by the county exchequer. The improvement in Kitui County is partly due to the county treasury giving priority to releasing funds for operations and maintenance.

Figure 14. Absorption of Operations and Maintenance Budget by County, FY 2017/18 and FY 2018/19



Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Key Findings from Recurrent Budget Absorption

Despite significant gains in 2017/18, absorption of recurrent budgets in the seven deep-dive counties dropped by 7 percentage points in FY 2018/19. Much of the decline in absorption of the recurrent budget is driven by underspending in personnel emoluments and operations and maintenance. The personnel emolument budget has high absorption rates overall, with the 7-percentage-point drop mainly driven by declines in Nakuru and Turkana counties. The decline in Nakuru County is concerning, where the personnel emoluments budget absorption rate declined dramatically to 68 percent in 2018/19 from 96 percent the previous year. In Turkana, while the personnel emoluments spending is high, the county experienced an 8-percentage-point decline during the same time period. The underspending in these two counties stems from a range of administrative and allocative efficiency bottlenecks.

In FY 2018/19, the overall 8-percentage-point decline in absorption of the operations and maintenance budget over the previous year is driven a by significant drop in Kisumu County, which recorded 34 percent, down from 87 percent the previous fiscal year. The slight decline of absorption of the drugs and supplies recurrent budget is a concern as well, especially since the passage of the Health Laws (amendment) of 2019 which aimed to improve the time of procurement processes. Here again, Kisumu County recorded the lowest absorption rate—72 percent, down from a high of 97 percent the previous fiscal year.

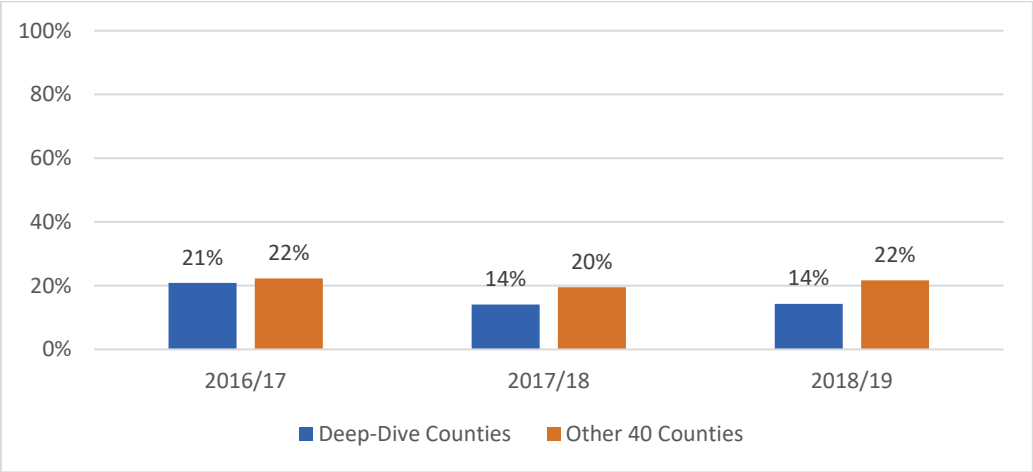
Nakuru, Kisumu, and Turkana all experienced declining absorption rates in all three recurrent economic categories, pointing to underlying budget absorption bottlenecks in these three counties.

While early assessments show a late release of funds, administrative issues in hiring new staff, and issues with data extraction, further assessment of expenditure bottlenecks in all three counties is required.

Development Health Budget Allocation

Figure 15 shows the proportion of development health budget allocation in the deep-dive counties against the rest of the 40 counties for FY 2016/17 to 2018/19. The proportion of the development health budget allocation in the seven deep-dive counties has remained low in the last two fiscal years. Development health budget allocations in the deep-dive counties dropped from 21 percent in 2016/17 to 14 percent in FY 2017/18 and FY 2018/19. As a proportion of the total health budget, the development share of the allocation is very low, leaving less room for key development investments in the seven deep-dive counties. In contrast, the proportion of development budget allocation in the rest of the 40 counties has grown and stands higher at 22 percent in FY 2018/19.

Figure 15. Proportion of Development Health Budget Allocation, FY 2016/17 and FY 2018/19

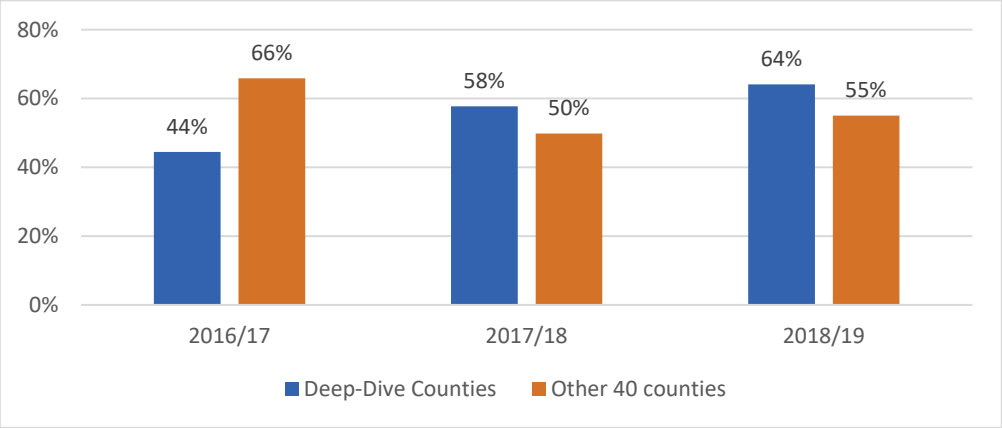


Source: Office of the Controller of Budget, 2016/17–2018/19

Development Health Budget Absorption

Development health budget absorption in the seven deep-dive counties shows an upward trend, increasing from an average of 44 percent in FY 2016/17 to 64 percent in FY 2018/19 (see Figure 16). In comparison, the rest of the 40 counties experienced fluctuating absorption rates, standing at 55 percent in FY 2018/19. Despite better performance compared to the 40 counties, the absorption of development health budgets remains low in the seven deep-dive counties, mostly due to delays in the tendering process and in completion of projects by vendors and contractors, leading to late invoicing and payment.

Figure 16. Absorption of Development Health Budgets in Deep-Dive versus Other 40 Counties, FY 2016/17– FY 2018/19

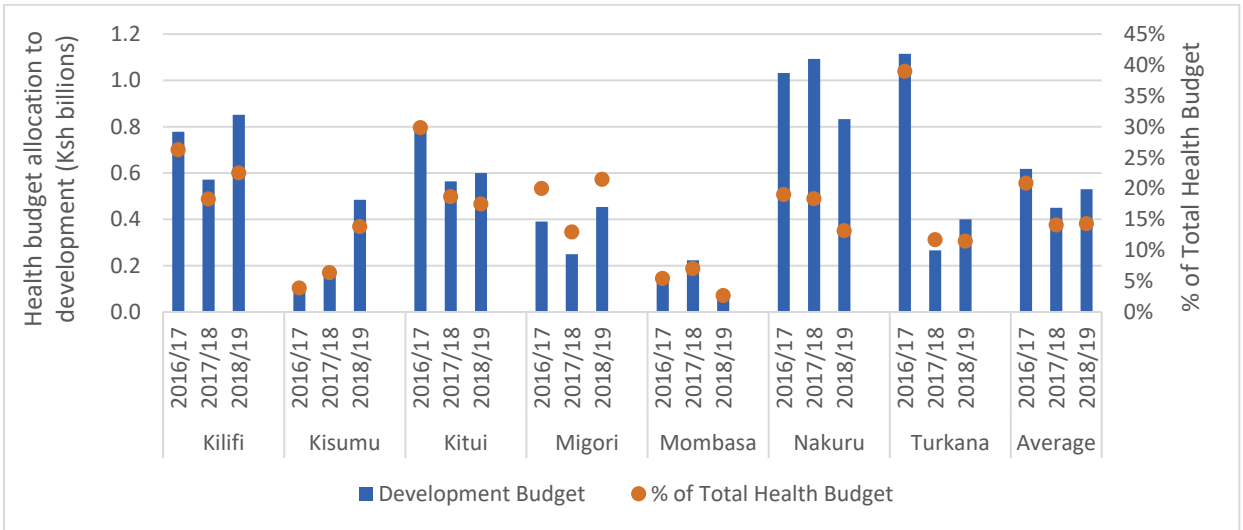


Source: Office of the Controller of Budget, 2016/17–2018/19

Development Health Budget Allocations by County

At the county level, allocations to development health budgets show wide differences, with some counties allocating significantly high proportions, while others unable to maintain or increase the proportion of their health budget dedicated to development budget (see Figure 17). For example, Kisumu has a relatively small allocation to its development budget (14 percent in FY 2018/19) compared to most counties but has shown consistent improvement in the last three fiscal years. Kilifi and Migori counties also have demonstrated improvement in development budget allocations. Turkana County had the highest allocation to development in FY 2016/17, but its development budget has been at a steep decline and has not been able to recover. The county with the lowest allocation to development is Mombasa, allocating a mere 3 percent in FY 2018/19, a decline from an already low of 7 percent in FY 2017/18.

Figure 17. Proportion of Development Budget Allocation by County, FY 2016/17–FY 2018/19

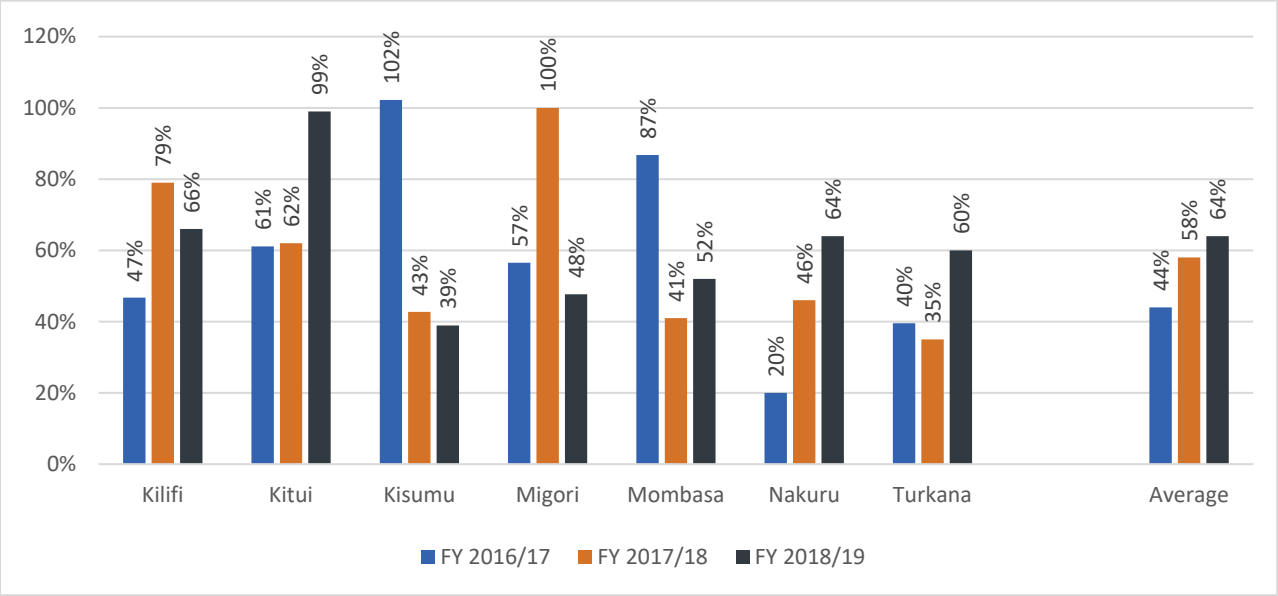


Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Development Health Budget Absorption by County

Figure 18 shows absorption of development budgets for FY 2016/17–FY 2018/19, broken down by county. While the average absorption rate of the development budget shows improvement (from 44 percent in 2016/17 to 64 in FY 2018/19), the overall absorption for development remains very low. Except for Kitui, counties are not able to spend a significant proportion of their development budgets. While Nakuru, Mombasa, and Turkana counties show some level of improvement compared to previous fiscal years, their overall budget absorption performance remains low. Migori recorded the biggest single-year decline, from 100 percent in FY 2017/18 to 48 percent in FY 2018/19. In absolute terms, Ksh 1.6 billion remained unspent across all the deep-dive counties at the end of FY 2018/19.

Figure 18. Absorption of Development Budget by County, FY 2016/17–FY 2018/19



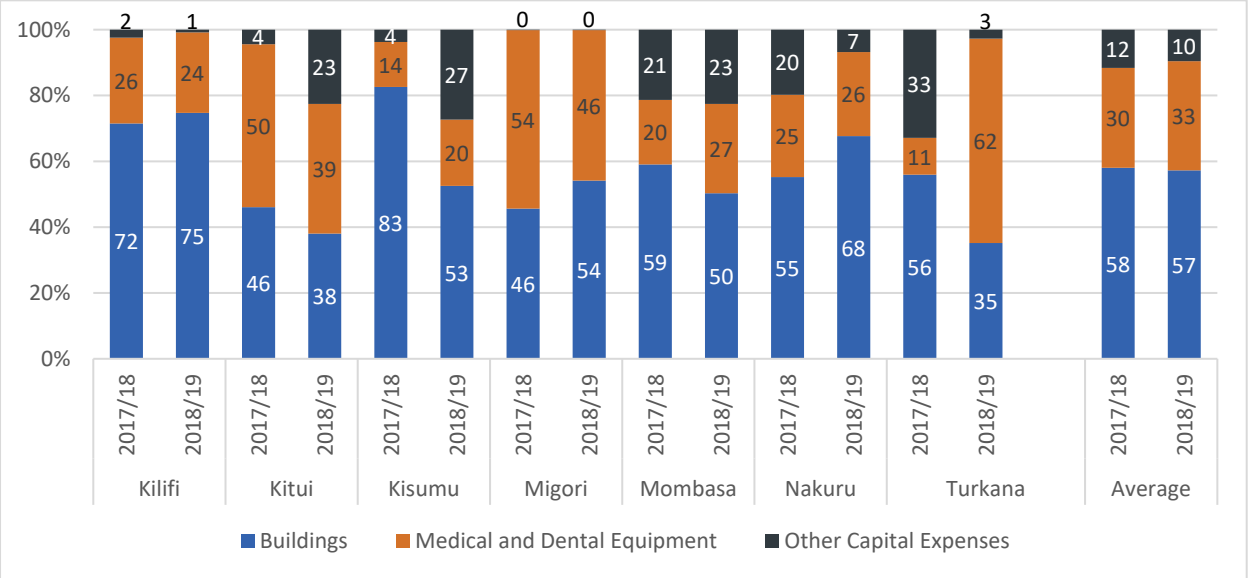
Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Development Health Budget Allocation by Economic Category

Development health allocations are divided into three categories: buildings, medical and dental equipment, and other capital expenses (including capital transfers to other county institutions).[13] In the seven deep-dive counties, the average allocation to buildings was 58 percent in FY 2017/18, decreasing marginally to 57 percent in FY 2018/19, while allocations to medical and dental equipment increased from 30 to 33 percent over the same period (see Figure 19). Allocations for other capital expenses, which include non-medical equipment, grants, and transfers decreased from 12 to 10 percent. In FY 2018/19, Kilifi, Migori, and Nakuru counties all increased their budget allocations to buildings, while in the rest of the counties allocation to this economic category dropped. The biggest drop in allocations to buildings was recorded in Kisumu County, from a high of 83 percent in FY 2017/18 to 53 percent in FY 2018/19.

[13] Refers to capital expenditures including building and equipment with more than one-year life span.

Figure 19. Proportion of Development Allocation by Economic Category by County, FY 2017/18–FY 2018/19

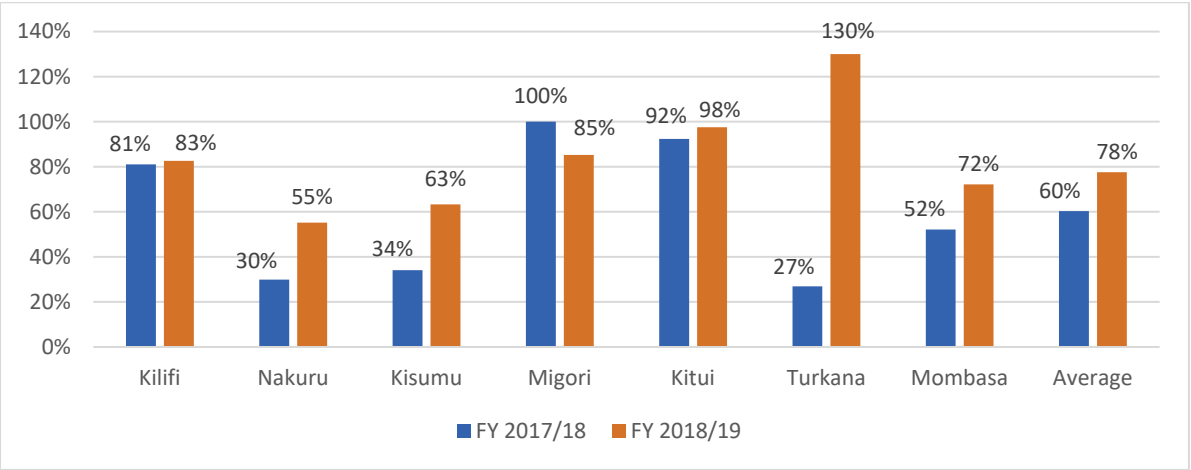


Note: Percentages may not equal 100 due to rounding
Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Budget Absorption of Buildings

Figure 20 shows budget absorption for funds allocated to buildings in the seven deep-dive counties in FY 2017/18 and FY 2018/19. On average, the budget absorption rate for buildings increased from 60 percent in FY 2017/18 to 78 percent in FY 2018/19. However, overall budget absorption performance remains poor. The average increase is driven by increases in Turkana (27 to 130 percent), Mombasa (52 to 72 percent), Nakuru (30 to 55 percent), and Kisumu (34 to 63 percent). Collectively, Ksh 467 million in FY 2018/19 was left unspent.

Figure 20. Absorption of Budgets Allocated to Buildings by County, FY 2017/18 and FY 2018/19

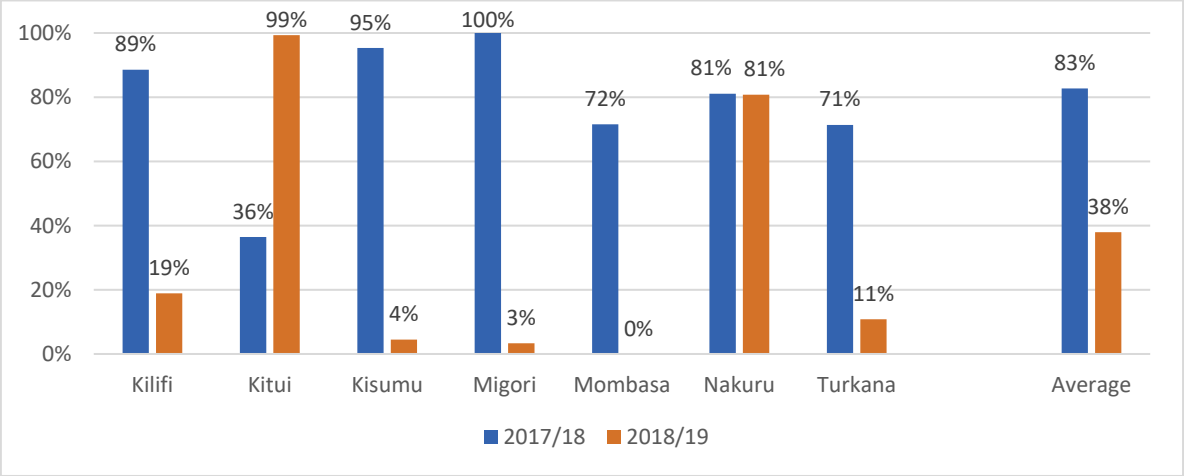


Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Budget Absorption of Medical and Dental Equipment

The average absorption of funds allocated to medical and dental equipment for the seven deep-dive counties decreased sharply from 83 percent in FY 2017/18 to 38 percent in FY 2018/19 (see Figure 21). Decreases are observed in most counties except Kitui, where absorption increased from 36 percent in FY 2017/18 to 99 percent in FY 2018/19. The most significant declines occurred in Kilifi, Kisumu, Migori, Mumbasa. and Turkana counties, dropping by 70 percentage points, 91, 97, 72, and 60, respectively. A total of Ksh 750 million remained unspent under this category by the close of the FY 2018/19.

Figure 21. Budget Absorption of Medical and Dental Equipment by County, FY 2017/18 and FY 2018/19

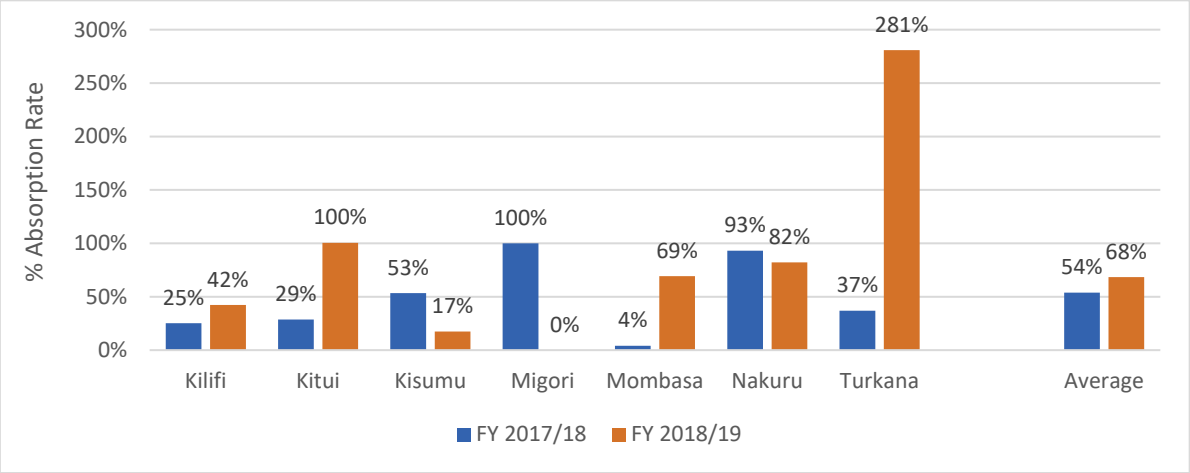


Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Budget Absorption of Other Capital Expenses

The average absorption of funds allocated for other capital expenses, which includes non-medical equipment and capital transfers to semi-autonomous government agencies, improved from 54 percent in FY 2017/18 to 68 percent in FY 2018/19. The most significant increase is observed in Turkana from 37 percent to 281 percent over the same period, showing significant overspending. Migori County recorded the most dramatic decrease from a perfect absorption rate of 100 percent in FY 2017/18 to zero in the following year. A total of Ksh 100 million remained unspent under this category by the close of the FY 2018/19.

Figure 22. Absorption of Budgets Allocated to Other Capital Expenses for Health by County, FY 2017/18 and FY 2018/19



Source: Republic of Kenya, 2016/17–2018-19a; Republic of Kenya, 2016/17–2018/19b; Republic of Kenya, 2017/18–2018/19

Key Findings from Development Budget Absorption

Despite a gradual improvement in the average absorption rate of development budget in FY 2018/19, the overall absorption rate remains poor across all counties. The deep-dive counties have not been able to spend significant sums of scarce development resources. This underspending in medical and dental equipment is especially concerning and needs to be addressed. The average budget absorption rate under this category dropped by 45 percentage points in FY 2018/19, mostly driven by underspending in Kilifi, Kisumu, Migori, Mumbasa, and Turkana counties. Only Kitui showed noteworthy improvement in its budget absorption in its medical and dental, increasing from 36 percent in FY 2017/2018 to 99 percent in 2018/19.

The low absorption observed was due to delays in the tendering process and in completion of projects by vendors/contractors, leading to late invoicing and payment

Conclusions and Recommendations

This report has given a detailed picture of public health expenditure trends in the seven deep-dive counties of Kenya with a particular emphasis on the composition of health expenditure and the extent to which the expenditures are aligned to policies and objectives in the health sector. This section synthesizes some of the key findings and concludes with a set of recommendations and concrete action for improvements.

Overall findings show that health continues to be a priority for the seven deep-dive counties in Kenya. At the aggregate level and when compared to the rest of the Kenyan counties, the seven deep-dive counties continue making improvements in the level of health budget allocations and expenditures. However, average estimates obscure inter-county differences for key supply-side indicators. Results show considerable variance in the level of progress achieved across the seven deep-dive counties with some counties lagging behind others requiring more concrete action for improvement.

At 78 percent, national shareable revenue continues to fund the lion share of county health budgets, despite a 4-percentage-point decline since 2016/2017. This decline is offset by increase in funding from local revenues almost doubling to 7 percent between 2016/17 and 2018/19. During the same period, conditional grants dropped from 11 percent in FY 2016/17 to 7 percent in FY 2017/18, increasing back to 11 percent in FY 2018/19. While increased funding from local revenue is a welcome sign, not all counties have the same capacity to generate revenue. Only two of the seven counties indicate that revenues generated through provision of health services are retained and used in the health sector rather than being pooled in the county revenue fund. The use of local revenues enables health departments to fill gaps that otherwise arise from delays in disbursement of funds from the treasuries and enables faster execution of spending. Counties are encouraged to earmark and develop relevant laws to allow spending at source of local revenues generated at health facilities. Lessons from ongoing initiatives in Nakuru and Mombasa to ring-fence health revenues should be shared across other counties.

County-level spending on health reflects county priorities. On average, budget allocations to health in the seven deep-dive counties grew, reaching 27.2 percent in FY 2018/2019, compared to 25.7 percent for the rest of the counties. However, the result is mixed when county proportional allocations are compared in nominal terms. Nakuru, for example, recorded the highest proportional allocation to health, at 34 percent of the total county government budget in FY 2018/2019. However, the county's allocation to health decreased by 3 percentage points compared to 2017/18. While Turkana had one of the lowest proportional allocation among the seven counties at 23 percent, the county increased its budget allocation to health by 3 percentage points compared to 2017/18. These disparities stem from the presence of level five hospitals and number of public health facilities and staff that receive higher conditional grants, which in turn affect budget allocation for health disproportionally at county level.

There are notable trends in the composition of the recurrent budget allocation by key economic categories between FY 2017/2018 and FY 2018/2019. Personnel emoluments continue to constitute almost three quarters of recurrent budget in the seven deep-dive counties, crowding out other recurrent inputs critical to achieving technical and operational efficiency in service delivery. Kitui and Turkana significantly increased their personnel emolument budget allocations from 62 percent to 72 percent and 36 percent to 64 percent, respectively. Budget allocation for this economic category only marginally decreased in the rest of the counties, thanks to deliberate efforts to rationalize staffing hires. The average allocation to drugs and non-pharmaceutical commodities dropped from 13 percent to 12 percent, with Migori spending the highest proportion at 19 percent. Kisumu and Mombasa spent the least in FY 2018/19, at 7 percent and 8 percent, respectively. The average allocation to operations and maintenance marginally increased from 18 percent to 19 percent, with Turkana recording the greatest decline, from 46 percent to 25 percent and Kisumu recording the highest increase from 11 percent to 20 percent.

In FY 2018/19, the composition of development budget was dominated by the allocation to buildings and medical and dental equipment. Between 2017/18 and 2018/19, the proportion of allocations to buildings marginally decreased from 58 to 57 percent, medical and dental equipment increased from 30 to 33 percent, and other capital expenses decreased from 12 to 10 percent. In FY 2018/19, Kilifi and Nakuru allocated the largest share of their budgets to buildings (75 and 68 percent, respectively), while Kitui and Turkana allocated the largest share of their development budgets to medical and dental equipment, at 39 and 62 percent, respectively.

Overall budget absorption in the seven deep-dive counties declined in 2018/19, with spending about 84 percent of allocated budget, compared to 88 percent in 2017/18. This decline is more pronounced in the recurrent budget with deep-dive counties spending 87 percent of their budget in 2018/19 compared to a high of 94 percent in FY 2017/18. Average budget absorption for personnel emolument declined from 98 percent to 91 percent driven by significant decreases in Nakuru (to 68 percent) and Turkana (to 91 percent) counties. Nakuru and Turkana both faced several administrative challenges leading to unspent personnel allocations. Average budget absorption for drugs and other medical supplies dropped from 92 percent to 90 percent, with underspending across all the seven deep-dive counties. Average budget absorption for operations and maintenance dropped significantly from 84 percent to 76 percent with almost all the seven deep-dive counties recording low absorption rates, except for Kitui showing a significant increase to 97 percent in FY 2018/19 from 57 percent the previous year. Kisumu recorded the lowest absorption rate for this category dropping from 87 percent to 34 percent.

Despite a gradual increase in the average absorption rate for development budget, from 44 percent in FY 2016/17 to 64 percent in 2018/19, overall performance remains poor across all counties, leaving 36 percent of the budget unspent. Average budget absorption for buildings and other civil works improved from 60 percent to 78 percent between FY 2017/18 and FY 2018/19 but remains low with 22 percent of the budget left unspent. Almost all counties exhibited improved budget absorption rates for this expenditure category except for Migori, dropping from 100 percent to 85 percent. On the other hand, average budget absorption rate for medical and dental equipment dropped significantly from 83 percent to 38 percent. Decreases are observed in most counties except Kitui, where absorption increased from 36 percent to 99 percent. In all, Ksh 1.3 billion remained unspent in development budget by the seven counties at the close of the FY 2018/19. Average absorption of funds allocated for other capital expenses, which includes non-medical equipment and capital transfers to semi-autonomous government agencies, improved from 54 percent in FY 2017/18 to 68 percent in FY 2018/19, driven mostly by significant overspending in Turkana, from 37 percent to 281 percent over the same period.

Declining budget utilization rates in the seven deep-dive counties means that the deep dive counties have not been able to spend significant sums of scarce development resources, raising concerns on the absorption performance of these counties. If counties do not show improved absorption of their allocated budgets, not only it becomes hard for county departments and civil society actors to advocate for increased resources to deliver better and increased services, but also may lead to reduced allocations in subsequent financial years, affecting the counties' ability to meet their goals, including intended health outcomes.

Early assessments indicate several bottlenecks may have contributed to underspending in the seven deep-dive counties. Late release of funds from the county exchequer or by county treasuries, delays in procurement and tendering processes and completion of projects by contractors have affected level of expenditures. In addition, counties that source health commodities from the open market spent less on drugs and non-pharmaceuticals because the process takes longer than if they purchased them from KEMSA.

Building on these key findings, this report recommends the following concrete actions for improvements, with a focus on counties with poor and inconsistent performance:

1. Wide disparities in the level of resource allocation at the county level are still evident, requiring more analysis to ensure equitable allocation of resources. Counties are also encouraged to advocate and advance regulations allowing them to retain and spend locally generated revenues. Lessons from ongoing initiatives in Nakuru and Mombasa to ring-fence health revenues should be shared across other counties.

2. Counties need to take concrete actions to resolve budget execution bottlenecks, especially in Nakuru, Kisumu and Turkana counties, where performance has been relatively poorer than the rest the counties. Focus should be on strengthening timely budget release, early procurement planning linked with the overall budget cycle, and efficient cash planning.

3. This analysis recommends quarterly tracking of health budget expenditures at the county and health department level by county health planning units and use the information to engage county health management team members so that bottlenecks are identified and relevant course corrections are made in a timely fashion. In addition, county health management teams should liaise with county treasuries in reallocating funds from slow moving budget lines to other spending programs during the revised estimates. This will ensure overall sector absorption is increased within the financial year.

4. Counties should develop the capacity to adhere to the 2012 PFMA. In the deep dive counties, this consists of improvements of capacity on PBB, use of quarterly reports to reallocate from slow moving budget lines, and advocacy for early preparation of annual workplans.

5. Counties should adopt measures to rationalize personnel expenditures. Nakuru, Mombasa, and Kilifi counties have valuable lessons that can be shared, especially on rationalizing staffing and hiring more personnel on contract terms.

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Annex: Health Budget Allocations, Expenditures and Absorption

Annex Table 1. Overall Health Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation			Expenditures			Absorption (%)		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Kilifi	2,962	3,124	3,785	2,231	2,974	3,465	75	95	92
Kisumu	2,485	2,886	3,504	1,715	2,719	2,755	69	94	79
Kitui	2,617	3,021	3,431	1,987	2,520	3,345	76	83	97
Nakuru	5,424	5,961	6,339	3,967	5,073	4,509	73	85	71
Mombasa	2,428	3,181	3,318	2,028	3,038	3,222	84	96	97
Migori	1,951	1,927	2,111	1,412	1,961	1,829	72	102	87
Turkana	2,861	2,276	3,488	1,879	1,493	2,788	66	66	80
Total/Average	**20,729**	**22,377**	**25,976**	**15,219**	**19,778**	**21,914**	**73**	**88**	**84**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 2. Recurrent Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation			Expenditures			Absorption (%)		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Kilifi	2,184	2,552	2,933	1,867	2,526	2,901	85	99	99
Kitui	1,836	2,457	2,832	1,510	2,171	2,751	82	88	97
Kisumu	2,388	2,703	3,019	1,617	2,640	2,567	68	98	85
Migori	1,434	1,677	1,658	1,626	1,711	1,612	113	102	97
Mombasa	2,296	2,958	3,229	1,913	2,948	3,177	83	100	98
Nakuru	4,393	4,869	5,506	3,761	4,567	3,980	86	94	72
Turkana	1,746	2,010	3,088	1,438	1,495	2,547	82	74	82
Total/Average	**16,277**	**19,226**	**22,265**	**13,731**	**18,058**	**19,535**	**84**	**94**	**88**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 3. Personnel Emoluments Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditures		Absorption (%)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	1,798	1,961	1,709	1,955	95	100
Kitui	1,524	1,895	1,470	1,895	96	100
Kisumu	2,208	2,113	2,203	2,100	100	99
Migori	1,258	1,189	1,258	1,188	100	100
Mombasa	2,474	2,173	2,465	2,173	100	100
Nakuru	3,420	3,744	3,277	2,560	96	68
Turkana	863	1,960	858	1,785	99	91
Total/Average	**13,545**	**15,034**	**13,241**	**13,656**	**98%**	**91**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 4. Drugs and Nonpharmaceuticals Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditure		Absorption (%)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	272	480	332	473	122	99
Kitui	445	415	422	405	95	98
Kisumu	274	217	266	157	97	72
Migori	266	307	284	305	107	99
Mombasa	262	249	262	243	100	97
Nakuru	618	703	567	626	92	89
Turkana	434	336	224	233	52	69
Total/Average	**2,571**	**2,707**	**2,357**	**2,443**	**92**	**90**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 5. Operations and Maintenance Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditure		Absorption (%)	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	470	486	504	467	107	96
Kitui	488	338	279	327	57	97
Kisumu	314	586	272	199	87	34
Migori	165	162	170	119	103	73
Mombasa	226	742	224	695	99	94
Nakuru	831	1,050	722	813	87	77
Turkana	1,109	769	872	512	79	67
Total/Average	**3,602**	**4,134**	**3,041**	**3,133**	**84**	**76**

Notes: All currency is in Ksh millions. Absorption is calculated as a percentage of expenditures as a proportion of allocation.

Annex Table 6. Development Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation			Expenditure			Absorption (%)		
	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19	2016/17	2017/18	2018/19
Kilifi	778	572	852	364	452	565	47	79	66
Kitui	781	564	600	477	347	594	61	62	99
Kisumu	96	184	484	99	79	189	102	43	39
Migori	390	249	453	221	249	216	57	100	48
Mombasa	132	223	88	114	90	46	87	40	52
Nakuru	1,032	1,093	833	206	506	529	20	46	63
Turkana	1,115	266	400	441	96	240	40	36	60
Total/Average	**4,324**	**3,151**	**3,711**	**1,922**	**1,819**	**2,379**	**44**	**58**	**64**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 7. Buildings Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditures		Absorption	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	396	633	321	523	81	83
Kitui	259	204	239	199	92	98
Kisumu	150	255	51	161	34	63
Migori	114	246	114	209	100	85
Mombasa	144	44	75	32	52	72
Nakuru	360	564	108	311	30	55
Turkana	149	141	40	183	27	130
Total/Average	**1,573**	**2,086**	**948**	**1,619**	**60**	**78**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 8. Medical and Dental Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditure		Absorption	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	144	207	128	39	89	19
Kitui	278	211	101	210	36	99
Kisumu	25	98	24	4	95	4
Migori	135	207	135	7	100	3
Mombasa	48	24	34	0	72	0
Nakuru	163	213	132	172	81	81
Turkana	30	249	21	27	71	11
Totals	**824**	**1,208**	**681**	**459**	**83**	**38**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

Annex Table 9. Other Capital Expenses Budgets, Deep-Dive Counties, by Fiscal Year

County	Allocation		Expenditure		Absorption	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19
Kilifi	13	7	3	3	25	42
Kitui	25	121	7	121	29	100
Kisumu	7	132	4	23	53	17
Migori	0	1	0	0	100	0
Mombasa	52	20	2	14	4	69
Nakuru	129	57	120	47	93	82
Turkana	88	11	32	30	37	281
Totals	**314**	**348**	**169**	**238**	**54**	**68**

Notes: All currency is in Ksh millions. Absorption is calculated as expenditures as a proportion of allocation.

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