From Opacity to Clarity: A Comprehensive Review of Health Sector Budget Transparency in Kenya’s Counties

Kenya’s County Budget Transparency Survey 2022

by John Kinuthia
Summary Findings

1. This survey shows that there is a good case to have a continuous evaluation of health budget transparency as a key contribution to conversations on Universal Health Coverage and fairness in how decisions are made.

2. On average, Kenyan county governments spend 24% of their budget on the health sector annually.

3. The sample of 30 counties that were evaluated provided just under half (49/100) of the health budget information under review. Makueni county provided the most detailed information on health budgets among counties that had budget documents publicly available.

4. Counties provide more information on their health budget during the formulation and approval than during budget implementation across different themes of evaluation in the survey. This trend is similar to the main County Budget Transparency Survey.

5. Counties should prepare budgets in a medium-term expenditure framework, including budget details beyond one financial year. Most of the evaluated counties provided information on health budgets for two coming years and scored 87/100. However, historical spending that forms part of the MTEF framework scored very poorly with 13/100 points.

6. Counties spend 77% of their health budgets on personnel, but the level of information provided on who is on their payroll is quite low, with a score of 17/100. Only six out of the 30 counties provide information on their health staff in their approved programme-based budgets.

7. Counties also provide limited information on performance, which is one key function of programme-based budgeting structures. The targets and indicators for each programme and sub-programmes provide the best picture of what budget allocations are meant to achieve in service delivery. Approved PBB scored 57/100 on the level of information in this category, which dropped significantly to 9/100 points in budget execution reports.

8. Capital projects in the health sector can be a good indicator of the distribution of access to services, especially for a country with a history of marginalization like Kenya. According to the survey, most counties provide limited information on their development projects, with a score of 20/100 in approved PBBs and 17/100 points in budget execution reports.
Introduction

Kenya adopted decentralization that created two levels of governance in 2013. Health was one of the sectors that was heavily devolved to the sub-national level. All health facilities apart from national referral hospitals are managed at that sub-national level. Therefore, transparency and accountability of county health budgets are critical to ensuring fairness in decision-making and service delivery outcomes, especially in underserved communities. The level of detail in county budget documents gives insights into government health policies from the lens of approved priorities and their execution.

The County Budget and Transparency Survey (CBTS) 2022 included a module focused on evaluating the level of health sector information provided in county budget documents. The tool comprised 19 questions that assessed approved budget estimates and one budget implementation document, either a Quarterly Budget Implementation Report or County Budget Review and Outlook Paper. From the availability survey across all 47 counties, 30 counties fulfilled this requirement of documents on approved and execution budget documents. Therefore, the tool was applied to this set of counties for it would allow for the evaluation of formulation and execution details.
Why the Transparency of Health Budgets Matters

Over the years, many countries in the world have decentralized part of their governance systems for driven by different reasons. This has often been accompanied by the decentralization of services, their financing and decision-making on how they are delivered. Often the decentralized services are mostly social services that include health and education. As local governments have taken a more significant responsibility in the delivery of services such as health, there is also a growing need for tools that can help monitor and hold the governments accountable. In Kenya, health is the sector with the largest set of devolved functions among the 14 now run at the county level. All health facilities except for five national referral facilities are run at the sub-national level, and 54% of Kenya’s health spending is also at this level.

Access to information is a critical component of understanding the decisions and processes that inform the final priorities that are implemented primarily through the budgets for health. In addition, a more expansive definition of transparency means that the public and oversight institutions can see the reasons for the decisions made and the feedback on how public input was utilized in forming final budgets. However, transparency goes beyond the disclosure of information and looks at the accuracy of publicly available information and the ease of use for the public.

Strong governance structures will be a key pillar as Kenya continues its journey towards Universal Health Coverage. Transparency in decision-making and the inclusion of all voices is an important step in accountability. Health budgets form a key decision point in the role of public finance to achieve improved service delivery outcomes. Therefore, when budgets are formulated and executed through open and inclusive mechanisms, they provide better platforms for oversight institutions and citizens to review and monitor the performance of health services. Consequently, transparency of the health sector budget should be a net benefit of having more detailed programme organized budgets and implementation reports.

What We Did

This research was part of the County Budget Transparency Survey 2022 done by county budget facilitators who also carry out the broader budget openness survey. The questionnaire comprises 19 indicators that cover a range of issues on budget allocation and execution of the budget in the health sector. The questions sought information from the programme-based budgets and budget implementation information in either the quarterly budget implementation reports or the County Budget Review and Outlook Paper. The questions are primarily drawn from information that is required from the law, principally the Public Finance Management Act 2012.

The broad areas evaluated by the questions include:

1. **Budget narrative.** This is a ministerial statement that lays out the objectives and key priority areas that are to be pursued by the Ministry of Health through the budget for the year and over the medium term. It is the first step in a Programme Based Budget and links financing and expected service outputs and outcomes. This is also a good place to lay out the rationale for policy goals and could be present in each key sector programme.
2. **Budget classification.** Health budgets can be presented in different ways to communicate who/which and how departments will spend the funds and what they will be spent on; for example, the economic classification requires budgets to include information on recurrent (compensation to employees and goods and services) and development.

3. **Information on human resources for health and other personnel details.** Human resources for health form the most significant budget line in Kenya’s health budgets at the national and county level. Details of who is on the payroll form a critical component of a good PBB. This means health budgets provide clarity on the number of personnel in service, their job groups and the allocation of their pay, and it is also good practice to include details of the required staff and, there-in, the gaps in personnel.

4. **Details of programmes and sub-programmes across the sector.** A PBB aggregates different health activities funded through a defined set of programmes with the same policy objectives. This forms a critical core difference between line-item budgets to programme budgets.

5. **Targets and indicators for the budget allocations in the sector.** Performance measurements provide means to track progress in the implementation of health policies through budgets.

### The Overall Research Findings

The health sector accounts for the largest proportion of county-level budget expenditure. There are 14 functions that are devolved under Kenya’s decentralized system, and the health sector is the largest by functions and funding. In addition, 17% of the resources received by each of Kenya’s 47 counties are determined by a set of health parameters in the revenue-sharing formula. This is the most significant single service determinant in the third-generation formula for horizontal revenue sharing among the sub-national units. As shown in Figure 1, almost one-quarter of county spending has been through the sector.

![Figure 1: County Government Expenditure to Total County Expenditure](source: IBP Kenya, CBTS 2022)

The average overall transparency for the health budget was 31 out of 100 points across the 47 counties. This low score was in part due to 17 counties that did not have any documents that fulfilled the criteria to be part of the evaluation. This heavily distorts the score for the sample of 30 counties that had information on approved health budgets and their implementation reports. The average score among the 30 counties was 49 out of 100 points. This indicates that there is still limited information on the health sector’s budgets at the county level. However, even within the 30 counties, there are significant differences in the information provided on health across the approved budgets and budget implementation reports. This is discussed in more detail in later sections of this paper.

Makueni county had the most detailed health budgets with a score of 74, followed by Lamu and Bungoma counties with scores of 70 and 69 out of 100 points, respectively. Only 14 of the 30 evaluated counties provided more than half of the health budget information assessed in this survey. At the tail end, Nairobi and Garissa counties had the least information providing about one-quarter of the information evaluated.

The transparency in the health sector closely mirrors the performance in the overall budget transparency score. The average score of the 30 counties in the health sector evaluation was 49 out of 100 points compared to 53 points in their overall budget transparency score. The budget transparency in the health sector is slightly lower than the overall county budget transparency survey score.

In addition, as shown in Table 1, six of the top ten counties in the health sector budget transparency index also were in the top ten counties in the overall budget transparency score. Therefore, the analysis shows that counties that were more open in overall transparency performance also provided more details in the health sector. Accordingly, providing more budget information does align with a more transparent health sector budget. The performance on transparency for the sector is not related to characteristics such as the size of health budget allocations and expenditures, geography or size of their budget. The correlation with all these factors was very low. Therefore, there is a need to conduct more in-depth research on what drives some counties to be consistently transparent and others to remain with opaque budgets. IBP Kenya has already embarked on this research in 2023.
Table 1: Counties with high CBTS scores also score highly in the health transparency score

<table>
<thead>
<tr>
<th>County</th>
<th>Health Budget Transparency Score</th>
<th>County</th>
<th>Overall Budget Transparency Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Makueni</td>
<td>74</td>
<td>1 Makueni</td>
<td>75</td>
</tr>
<tr>
<td>2 Lamu</td>
<td>70</td>
<td>2 Lamu</td>
<td>60</td>
</tr>
<tr>
<td>3 Kwale</td>
<td>65</td>
<td>3 Kwale</td>
<td>74</td>
</tr>
<tr>
<td>4 West Pokot</td>
<td>65</td>
<td>4 West Pokot</td>
<td>78</td>
</tr>
<tr>
<td>5 Nandi</td>
<td>61</td>
<td>5 Nandi</td>
<td>62</td>
</tr>
<tr>
<td>6 Samburu</td>
<td>56</td>
<td>6 Samburu</td>
<td>66</td>
</tr>
<tr>
<td>7 Bungoma</td>
<td>69</td>
<td>7 Mandera</td>
<td>63</td>
</tr>
<tr>
<td>8 Busia</td>
<td>63</td>
<td>8 Nairobi</td>
<td>68</td>
</tr>
<tr>
<td>9 Bomet</td>
<td>58</td>
<td>9 Kitui</td>
<td>69</td>
</tr>
<tr>
<td>10 Nakuru</td>
<td>56</td>
<td>10 Nyeri</td>
<td>69</td>
</tr>
</tbody>
</table>

Source: IBP Kenya, CBTS 2022

1. Budget Narrative

The transparency in the health sector closely mirrors the performance in the overall budget transparency score. The average score of the 30 counties in the health sector evaluation was 49 out of 100 points compared to 53 points in their overall budget transparency score. The budget transparency in the health sector is slightly lower than the overall county budget transparency survey score.

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2. Classification of health budgets by economic and functional classifications

The structure of budget documents helps to ease comprehension based on how different expenditure items are classified. The primary goal of different ways of classifying the budget is to provide a transparent way of disaggregating the health budget.

Key aspects of classifications help any reader understand what resources will be spent on from a programmatic or service delivery level and which agencies/departments of government will be responsible for executing the budget.
In addition, budgets should include details of what services will be provided, which helps make the linkage between resources and service outputs and outcomes. To complete the picture, the classification should be for the coming year and at least two outer years. In addition, to help one contextualize the proposals, the budget should also provide details of historical spending in the health sector across programmes and subprogrammes.

County Treasuries provide detailed budget circulars each year that provide guidance on how revenue and expenditure should be presented in the budget. This includes details of how budgets for individual sectors are also classified and packaged for aggregation into the full budget. The circulars also provide templates on how to budget implementation information should also be presented.

Figure 3: Baringo County guide on the presentation of performance information by programme

Source: Baringo County Circular 2022/23[1]

Almost all the counties, with the exception of Garissa, published information on their approved health budgets, and it was broken down into recurrent and development components with a score of 97 points. This forms part of what is referred to as economic classification, which indicates what money will be spent on or the nature of transactions. However, the breakdown of the two budget categories dropped to 73 points in budget implementation reports. Further disaggregation that breaks down the recurrent budget to personnel and operations and maintenance scores lower at 83 points in approved PBBs.

On the budget implementation side, most counties (22/30) presented their health budget execution broken down into recurrent and development and included details of the approved budgets. The overall score for this was 73 points out of 100. However, the score drops to 17 points out of 100 when the same is evaluated on the breakdown of the recurrent budget to personnel and operations and maintenance. This is a gap in the presentation of the information against the approved budget amounts. Kenyan counties have been facing challenges in executing their health budget. Between 2018/19 and 2020/21, the average absorption rate of 86% resonates with a similar analysis that showed execution rates at 86% between 2014/15 to 2017/18. Therefore, detailed information in budget implementation reports is an opportunity for a transparent presentation of detailed programme information that can help highlight areas facing challenges in executing budgets. This level of presentation is important, especially in scenarios where approved budget numbers are revised several times through supplementary budgets during the implementation period.

Table 2: Performance in the classification of health budgets

<table>
<thead>
<tr>
<th>Issues of evaluation in approved PBB</th>
<th>Score in Approved PBB</th>
<th>Issues of evaluation in implementation</th>
<th>Score in CBROP or CQBIR</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Approved health sector budget for the coming year</td>
<td>100</td>
<td>1 Actual health sector expenditure in comparison with the approved budget</td>
<td>83</td>
</tr>
<tr>
<td>2 Is the health budget broken into recurrent and development budgets?</td>
<td>97</td>
<td>2 Actual health sector expenditure is broken down into recurrent and development compared to the approved budget.</td>
<td>73</td>
</tr>
<tr>
<td>3 Is the recurrent health budget broken down into personnel and operations, and maintenance</td>
<td>83</td>
<td>3 Actual health sector recurrent expenditure is broken down into personnel emoluments, operations and maintenance compared with the approved budget.</td>
<td>17</td>
</tr>
<tr>
<td>4 Does the health budget include expenditure projections for the coming two years?</td>
<td>87</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Does the health budget provide historical spending for at least two past years</td>
<td>13</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: IBP Kenya Data | CBTS 2022

3. Human resources for health

The survey also evaluated the presentation of personnel costs for health. Staff wages form the most significant proportion of spending out of health sector budgets across all the counties in Kenya. On average, counties spent 77.2% of their health budget on personnel compensation in 2020/21, an increase from 75.8% in 2018/19. Therefore, apart from being the largest share of the health budget, staff costs are also growing over time. Thus, counties have a strong case to present staff inventory and cost details. This includes details of the number of staff working in the health sector and their designation, and it is good practice also to indicate how many persons are in place per job cadre and how many are required.

Presentation of staff details in budgets is also a first step in integrating staff details with the personnel required to accomplish the objectives of each programme. The ideal scenario would be to include staff details under each programme, giving a clear map of the deployment of personnel across the sector. However, there is an appreciation that it may not be possible to fully allocate staff time across programmes when one staff member plays a role across different aspects of the sector. For example, a nurse in a dispensary is responsible for maternal health, immunization, facility administration, distribution of pharmaceutical commodities to patients etc. Therefore, with such complexities, it may be more practical to aggregate staff costs in one programme but still be presented at the level of disaggregation that helps show a complete picture of staffing in the department.

"On average, counties spent 77.2% of their health budget on personnel compensation in 2020/21, an increase from 75.8% in 2018/19."
Only six counties out of the 30 presented any information on their personnel, which was an average score of 17 points out of 100 for this set of detail. Busia, Lamu, Mombasa and Nyeri were the only counties that presented the staff details in full as evaluated in this survey.

Nyeri County is a good example of how to present staff costs, as shown in Figure 4 below. The county also included the approved staff positions and those currently in place. This provides an insight into gaps in human resources for health and can inform even the county assembly when approving the budget. In addition, the county presented allocations for staff for the previous years of budgeting which is 2020/21, and expected costs to be spent across different cadres for the year.

Figure 4: Nyeri’s detailed health personnel budget

4. Health programmes and subprogrammes

Programmes are an aggregation of different activities and budget lines in health that have a common objective. This is commonly referred to as functional classification, simply the purpose for which resources will be spent. For example, will it be for immunization, Maternal and child health or health research etc? The survey findings show that most counties provide the programmes and subprogrammes of their health budget with a score of 83 out of 100. Seven counties out of the 30 did not have their health budget broken down into programmes and sub-programmes.

However, the survey also shows a significant gap between the programme-level information provided in approved budgets and documents that report on budget execution. While 23 counties provide disaggregated information on programmes and subprogrammes in their approved budgets, that number reduces to 5 in budget execution reports. There are 24 counties out of the sample of 30 that did not provide any information on health programmes and subprogrammes in their budget implementation reports.

Source: Programme Based Budget 2021/22, Nyeri County

Table 3: Number of counties that provides expenditure information below sector level

<table>
<thead>
<tr>
<th>Classification</th>
<th>Counties with approved PBBs that provided the information</th>
<th>Counties whose budget implementation reports provided the information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programmes and sub-programmes</td>
<td>23</td>
<td>5</td>
</tr>
<tr>
<td>Programmes only</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>None</td>
<td>3</td>
<td>24</td>
</tr>
</tbody>
</table>

Table 4: Performance in the classification of health budgets below sector level

<table>
<thead>
<tr>
<th>Issues of evaluation</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Presentation of health programmes and sub-programmes in approved budgets</td>
<td>83</td>
</tr>
<tr>
<td>2 Budget projections for health programmes and sub-programmes for at least two upcoming years</td>
<td>83</td>
</tr>
<tr>
<td>3 Historical budget performance at programme and sub-programme for at least two past years</td>
<td>10</td>
</tr>
<tr>
<td>4 Presentation of health programmes and sub-programmes in budget implementation documents (actual expenditure performance in comparison with approved budget)</td>
<td>18</td>
</tr>
</tbody>
</table>

5. Performance information for the health budget

Programmes in the health sectors should have targets of what should be achieved with the allocated resources for the year and over the medium term. Therefore, the survey also evaluated the presentation of performance information in indicators, their baselines, and targets for the sector. The survey shows that the 30 counties surveyed have a score of 57 points on the provision of performance information in approved budgets. However, the score drops to only 9 points in budget implementation reports. This is another case of more information being availed in budget formulation and approval documents, but the same is not during budget execution. This is a significant drop from 15 counties that provided the same information in their approved budgets. Only Kwale county provided performance information in full in its budget implementation reports.

Figure 4: Average CBTS 2022 Score on Health Performance Indicators
6. Presentation of information on capital projects

Capital projects should be seen as inputs that contribute to programmes objectives or service delivery goals, and sub-programmes be attached to a particular service delivery objective. In some jurisdictions, capital projects are collated in one programme.

However, that beats the purpose of programme budgets, where each project should contribute to the objective of the specific programme. Therefore, they should be presented with a level of detail that helps in tracking their implementation and evaluation of the distribution to ensure equitable access to healthcare infrastructure. Capital projects presented in the budget should include the following information:

- project name,
- specific geographical location,
- completion status in cases of ongoing projects
- approved allocation for each capital project
- capital expenditure against approved budgets when it comes to budget implementation reports.

The survey shows counties provide limited information on capital projects in the health sector’s budget. The score is 20 points for the approved PBB and only 17 points for budget implementation reports. The survey evaluated four aspects of capital projects in PBBs: the location of projects, approved allocation, the status of the projects (new or ongoing) and the implementation timeframe to cater for scenarios of multiyear projects. On the budget implementation documents, the evaluation focused on the project’s location, the actual costs spent so far against their approved budgets and the status of the projects. None of the 30 counties presented all the information on capital projects in their approved budgets and implementation reports. From an overall county perspective, only about half of the counties provided information on any aspects of capital projects, and that drops to just under one quarter when it gets to the budget execution stage. This again aligns with the overall observation of the County Budget Survey 2022, where there is more information during the formulation and evaluation of the budget than in the implementation stage.
Conclusion

As Kenya implements its Universal Health Coverage goals, the country will have to make critical decisions on what priorities should be pursued to achieve this objective. The decisions made in the UHC process will heavily depend on public financing. In addition, the outcomes of the decision will have to be fair, and that requires processes that will be open, transparent, inclusive and equitable. Therefore, as national and county governments fund their health functions, they should ensure their budgets are publicly available and detailed to show the priorities being funded.

This health transparency survey shows some good examples of counties with budgets providing a good level of information on health budgets. However, even the best counties only provide about three-quarters of the required information. The average score is 49 points for the sample of 30 counties evaluated in the survey. Therefore, working with counties to improve how the sector packages and presents its budget information at the formulation, approval and implementation stages is necessary. This will require clarity from the national government that prepares many county governments’ reporting and budgeting guides. In addition, there is a need for more discussions between the Office of the Controller of Budget and county government on how to prepare and publish their quarterly budget reports and the types of information that should go into them.
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