Module 1 ■ What are Counties Responsible for?

5HOURS, 30 MINUTES

LEARNING OUTCOMES

By the end of this module, you will have:

- identified the functions assigned to the national government and county governments, according to the Fourth Schedule of the Constitution;
- examined the division of functions between national and county government, especially for the education, health, and agriculture sectors;
- pointed out gaps in clarity about the functions assigned to national and county government, especially for the education, health, and agriculture sectors;
- reviewed the August 2013 Gazette notice issued by the Transition Authority on the transfer of functions and been made aware of subsequent notices that have not yet been released;
- learned about county revenue sources (national and own revenues)
- studied data at county and ward level from various data sets as a starting point for identifying county priorities; and
- examined an existing county development plan in order to consider how to move from a plan to a budget.

Introduction to Budget Analysis

CASE STUDY: COUNTIES SLASH HEALTH CARE BUDGETS?

45 MINUTES

OBJECTIVE

❖ **IDENTIFYING STRENGTHS AND WEAKNESSES IN BUDGET ANALYSIS**

RESOURCES NEEDED

- ✓ Flipchart paper, markers, and tape
- ✓ Paul Wafula's articles from The Standard available at: http://www.standardmedia.co.ke/lifestyle/article/2000097475/alarm-as-30-counties-slash-health-budgets

http://www.standardmedia.co.ke/health/article/2000097556/new-report-reveals-top-and-bottom-counties-in-health-spending

- ✓ Jason Lakin's article from The Star(optional) available at:
- ✓ http://www.the-star.co.ke/news/article-144691/paper-was-wrong-health-budgets

TASK EXPLANATORY NOTES

1. Read the two articles by Paul Wafula and explain what the stories are about
2. Consider what the purpose and logic of the stories is and not necessarily what their strengths and weaknesses are.
3. In plenary present whether the stories makes sense and capture important challenges in county budgeting.
4. If time allows and as instructed by the facilitator look at the rejoinder article by Jason Lakin.

DISCUSSION

INTRODUCTION: COUNTIES SLASH HEALTH BUDGETS?

Look at the articles below from Paul Wafula of The Standard.

What are the articles about? What questions do they leave you with?

For CSOs:

- Is this type of analysis useful for advocacy? How would you use it in your own county?
- What other information would you need for a successful advocacy campaign on this issue?
- How would you structure an advocacy piece or short policy brief to achieve your goals?

For journalists, the focus of the discussion should be:

- Is the story framed properly? Is there really a "crisis"?
- What contextual information is included and what is missing?
- What are the sources for the story and how could these have been used better? How would you write the story differently?

Wafula Article 1

Alarm as 30 counties slash health budgets

Updated Tuesday, November 12th 2013 at 00:00 GMT +3
By Paul Wafula

Kenya: Thirty counties will spend less on health this year, compared to what the national government spent on citizens in 2012. In their rush to beat the June 30, 2013, deadline set by the Public Finance Management Act, many counties ended up under-budgeting on health, a move that could drastically affect service delivery and create a national health crisis.

TharakaNithi, Nyeri, Homa Bay, Kitui and Kericho top the list of counties that slashed their budgets by more than half, compared to what the Ministry of Health previously spent in each of the areas before the advent of devolution. But there are also counties that before the advent of devolution. But there are also counties that doubled their health development expenditure, a move that could improve health services in these areas. These include Kisii, Bomet, Laikipia, Kakamega and Turkana. However, only 17 counties increased their development expenditure, money which goes directly into improving infrastructure to boost service delivery. The revelation will hurt the expectations of many Kenyans who had hoped that devolution would solve their most pressing problems that the central government had ignored for decades. More than six months on the devolution road, an examination of the county health budgets and priorities reveals that most county governments may be failing the test of investing innovatively for the health of the people.

It is conceivable that many of the counties that were already doing badly before devolution will have slim chances of improving. Some counties have invested as little as Sh24 per person in developing health, while the best spenders are counting on donors to honour their promises to supplement funds.

Failure

Starting Tuesday November 11, The Standard will provide comprehensive coverage of devolution of health services to help Kenyans visualise the state of health in their counties and know what the local governments are doing to improve healthcare.
Our two-month investigation reveals that the race by most of the 47 new county governments to prepare budgets to beat the deadline by the central Government may inadvertently have set them up for failure.

Our investigation reviews how much each county is spending on your healthcare and the challenges faced in service delivery to deal with neglected diseases such as trachoma in West Pokot and elephantiasis in and Kilifi. Finally we will look at the challenges of politics and priorities in TharakaNithi.

Wafula Article 2

NEW REPORT REVEALS TOP AND BOTTOM COUNTIES IN HEALTH SPENDING

Last updated on **13 Nov 2013 00:00**

By Paul Wafula

Kenya: Kisii is the top spending county on health per person in the ranking that saw TharakaNithi become the least spender among the 47 counties. A breakdown of the development budgets by the Commission on Revenue Allocation (CRA), County Budgets: 2013-2014 report, shows that Kisii

County will spend Sh 2,555 on each of its residents to improve their health infrastructure. This is 10 times more than what the bottom five counties combined plan to spend per person in developing health services in what has seen most counties miss their first opportunity to fix the ailing healthcare system.

Invest less

It comes at a time when it is becoming clearer that most counties will invest less in healthcare than what the National Government did the previous years before the onset of devolution.

Before devolution, the National Government spending saw Nairobi, Kiambu and Nakuru counties take the lion's share of the development budget, spending that explains the better health infrastructure in these regions. To earn the top spot, Kisii will spend Sh3.2 billion, which is about 10 per cent of its entire budget, on its 1.2 million citizens as projected in June 2013. But CRA notes that Kisii is among a host of other counties, including Mombasa, that are relying on huge unexplained external sources to boost their budgets, a pointer that its generous spending is influenced largely by its muscle in sourcing for health development partners.

Second and third

Lamu County came in second having set aside Sh 1,659 to develop health for each of its citizens, while Isiolo was third with Sh 1,484 per person. The calculations are limited to what counts intend to spend on development expenditure. Also in the list of the top five spenders are Laikipia and Marsabit counties which plan to spend Sh 1,159 and Sh734 per person, taking the fourth and fifth positions respectively. Three counties from the Western region followed closely in the top 10 big spenders on health per person. Busia County was sixth after it set aside Sh734 per person, while Kakamega and Bungoma Counties set aside Sh689 and Sh671 on each of its citizens. Kakamega was seventh followed closely by Bungoma County. Kakamega and Bungoma counties are also in the top five of the populous counties in Kenya. Busia County is also the only county whose health development expenditure is over 15 per cent of its overall budget. To complete the list of the top 10 spenders on health are Bomet and Mombasa counties, at position nine and 10 respectively. Bomet County will spend about Sh654 per person while a resident in Mombasa County will have Sh498 set aside to improve his or her health this financial year. Some counties that are the least spenders ironically have bigger disease burdens and more pressing health issues.

It was expected that after devolution, county governments would be best placed to address local challenges, but it appears most counties are yet to fill this given that their spending priorities may not give them the financial headroom to start fixing the healthcare system. At the bottom, TharakaNithi, Nyeri, Homa Bay, Narok and Siaya counties which spend Sh24, Sh32, Sh57, Sh85 and Sh93 respectively. Also in the list of the bottom 10 counties are Siaya (Sh102), Kericho (Sh109), Kajiado (Sh118), Mandera (Sh140) and Nandi (Sh150). TharakaNithi's total development budget is at Sh1.3

billion. Agriculture, livestock and water services had Sh312 million, roads, public works, transport and legal affairs took the lion share of TharakaNithi's development budget, receiving Sh911 million.

Public hospital

This has made it the least spenders on health despite having only one major public hospital at Chuka, the other being a church-sponsored institution. An analysis of the data shows disconnect between what counties plan to spend against their manifestos and strategic plans. A look at the various county strategic plans and manifestos show that though most counties seem to have appreciated their health challenges, they have begun on a the wrong footing in terms of using hard data and facts to support their expenditure. Nairobi County, the heart of Kenya's healthcare system, had huge plans to build more health facilities and pharmacies, create ambulance services, promote primary health care, license and control outlets that sell food to the public, create and improve cemeteries, funeral parlours and cremations and show great leadership in liquor licensing. But it is not among the top 10 health spenders in the country. It is at position 33, after it allocated only Sh249 to be spent on developing health for each of its 3.4 million people. This is just about 3.5 per cent of its overall budget. Mombasa County had bigger plans for its health sector. According to its governor's website, there were plans to have every wards to have a modern health centre that is well equipped and staffed.

Total budget

But the county has allocated Sh498 to be spent on developing health for each of its citizens, bringing its total health development budget to Sh520 million. This is less than 3 per cent of its total budget. Mombasa is ranked position 16 in terms of spending per person in out of the 47 devolved units.

Machakos County, which is emerging as a model county due to its speed in implementing its strategic plans, however, has not allocated money that would roll out its ambitious plan of converting every dispensary in every sub-location to a community hospital to meet World Health Organisation (WHO) standards of a hospital every 5 kilometres. It also plans to add a few rooms in every health centre for bed wards, maternity, mini-theatre, laboratory and x-ray. Information on the Machakos County website also gives an insight of their plans to build doctors and nurses quarters to attract health care personnel and give an allocation of Sh300 million to purchase and equip ambulances for every location to ensure that no patient will ever be carried on wheelbarrows to hospitals. According to the CRA report, Alfred Mutua's administration allocated Sh420 million was to health development. This is about 5 per cent of its overall budget. This puts the county at position 24.

Counties are counting on donors to support health services, a factor that partly explains the little allocation to health services despite being ranked as one of the top three priorities in most counties.

The spending per person was calculated using data is contained in a CRA booklet presented to the Inter-Governmental Budget and Economic Council Meeting of August 12, 2013. The CRA booklet also contains a breakdown of intergovernmental transfers by county, revenue generated at county-level, and expenditure estimates. "An aggregation of county budgets shows that 69 per cent of revenues will come from National Government transfers while 31 per cent will be generated from own revenue sources," CRA chairman Micah Cheserem notes in the report.

The article was retrieved from the Standard Digital News.

http://standardgroup.co.ke/m/story.php?id=2000097556&pageNo=1 Accessed on 2/2/2014

Rejoinder Article by Jason Lakin, PhD

WHY THE PAPER WAS WRONG ON HEALTH BUDGETS

THE STAR
By JASON LAKINFRIDAY, MARCH 28 2014

Last week, the Standard generated considerable heat with a series on county health budgets. One article was titled "Alarm as 30 Counties Slash Health Budgets."

Another lauded Kisii county for high spending and skewers TharakaNithi, Nyeri and Homa Bay for stinginess in their health allocations.

The Standard deserves commendation for actually writing any story at all comparing county budgets.

This story is several months overdue and no other major news outlet has done the hard work of collecting and analyzing the available budget information and comparing to estimates of how much was spent last year in each county. That, unfortunately, is where the praise for this series must end.

The journalists involved in this effort did not analyze the entire health budgets of the counties they are looking at. Rather, they analyzed only the development (or capital) budget.

They proceeded to write a headline (and story) that implies that counties are cutting their total health budgets. This is misleading.

Quite a substantial share of health spending goes to pay health workers and is captured under the recurrent part of the budget, along with money spent on drugs and supplies.

By my estimates (using Treasury data), this was about 70 percent of total health spending in 2012/13. Development spending was less than 1/3 of total health spending. Ignoring the majority of health spending and then claiming that counties have "slashed" their health budgets is poor journalism.

The analysis goes on to justify the focus on development spending in terms that are at odds with basic public finance. First, the report consistently refers to money spent on "developing health."

It is not clear what this means, but seems to be a corruption of "development" spending. Yet developing health, like developing education, depends heavily not only on investment but health care workers. For many counties, their focus will need to be on recruiting more and better workers rather than new buildings.

Second, the report seems to miss the different logics between recurrent and development spending. Recurrent spending, for wages and supplies, must happen every year in order to keep the health system running.

A substantial drop in a given year in recurrent spending suggests that health workers may be laid off, facilities closed, or drugs out of stock.

But development spending works differently. Suppose that a county decides that it needs 5 new health facilities. It builds these facilities over three years.

For three years, we will see a large development budget, but in the fourth year, this budget should fall, because the facilities are completed.

Now the focus shifts to operations and maintenance (recurrent spending). So for development spending, the budget can rise and fall each year without endangering the health system, if it is linked to the start and completion of projects.

The problem with many county budgets is that it is not easy to tell if this is happening, because they do not offer multi-year projections for their development expenditures and there is insufficient detail to know what projects are really being proposed or how much they cost.

That is what needs to be questioned. A drop from last year in development spending is not in and of itself a cause for alarm. The problem is that it is not clear where the money is going.

Indeed, one of the reasons why it is effectively impossible to actually analyze the full health budgets for counties, using both recurrent and development expenditure, is because most counties made a major blunder in compiling their budgets this year.

The majority put all staff costs for each sector under a single budget line, such as "executive services," or "public service." Thus, all wages for health workers, extension officers, ECD teachers, and so on are under a single budget line.

This is bad budget practice and makes it impossible to know how much each county is spending on each sector. This is the major story this year: not that counties slashed health budgets, but that we cannot even know if they slashed health budgets.

A good investigative story would be to ask county finance officers how they came up with the figures that are contained in that single budget line for staff costs.

There is a good chance that some counties did not budget enough for health workers. Nairobi, for example, one of few counties which has provided sector figures, seems to have cut its recurrent health budget to less than half of last year's allocations. But more digging is required to determine how widespread this problem really is.

KEY TAKEAWAYS

GOOD BUDGET ANALYSIS REQUIRES THE ANALYST TO TAKE INTO CONSIDERATION:

- ✓ **CHANGES OVER TIME IN ALLOCATIONS TO DIFFERENT SECTORS/ITEMS**
- ✓ **THE IMPORTANCE OF ALLOCATING BOTH RECURRENT AND DEVELOPMENT(CAPITAL) EXPENDITURE IN ACHIEVING SECTOR OBJECTIVES**
- ✓ **DIFFERENCES ACROSS COUNTIES IN PRIORITIES AND NEEDS THAT AFFECT ALLOCATION OF RESOURCES**