KENYA
Investments in Social Sectors

Final Report
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A team led by Dr. Swapan Kanti Chaudhuri (International Expert) prepared this final report on social sector budget analysis in the Kenyan context. The team consisted of Dr. Samuel Njorge (National Expert), Stanslous Keya, (National Research Associate), Evans Okech (National Research Associate), and Nikita (International Research Associate) and Prabhakar Vanam (Project Manager).

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# Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADP</td>
<td>Annual Development Plan</td>
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<tr>
<td>ANC</td>
<td>Antenatal Care</td>
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<td>CGBIRR</td>
<td>County Governments Budget Implementation Review Report</td>
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<td>CIDP</td>
<td>County Integrated Development Plan</td>
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<td>CT</td>
<td>Cash Transfer</td>
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<td>CT-OVC</td>
<td>Cash transfer for Orphans and Vulnerable Children</td>
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<td>ECDE</td>
<td>Early Childhood Development and Education</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>GER</td>
<td>Gross Enrolment Ratio</td>
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<td>GII</td>
<td>Gender Inequality Index</td>
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<td>HSNP</td>
<td>Hunger Safety Net Programme</td>
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<td>IFMIS</td>
<td>Integrated Financial Management System</td>
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<td>IHDI</td>
<td>Inequality Adjusted Human Development Index</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>ITN</td>
<td>Insecticide-treated bed nets</td>
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<td>KDHS</td>
<td>Kenya Demographic and Health Survey</td>
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<tr>
<td>KNBS</td>
<td>Kenya National Bureau of Statistics</td>
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<td>Ksh</td>
<td>Kenyan Shilling (KES)</td>
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<tr>
<td>MDA</td>
<td>Ministries, Departments and Agencies</td>
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<td>MLEAA</td>
<td>Ministry of Labour and East African Affairs</td>
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<td>MoH</td>
<td>Ministry of Health</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>MTP</td>
<td>Medium Term Plan</td>
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<td>NER</td>
<td>Net Enrolment Ratio</td>
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<td>NGBIRR</td>
<td>National Government Budget Implementation Review Report</td>
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<td>NHIF</td>
<td>National Hospital Insurance Fund</td>
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<td>NSNP</td>
<td>National Safety Net Programme</td>
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<td>NSSF</td>
<td>National Social Security Fund</td>
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<td>OCOB</td>
<td>Office of the Controller of Budget</td>
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<tr>
<td>ODF</td>
<td>Open Defecation Free</td>
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<tr>
<td>OOP</td>
<td>Out-of-Pocket (expenditure)</td>
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<td>OPCT</td>
<td>Older Persons Cash Transfer</td>
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<td>OVC</td>
<td>Orphans and Vulnerable Children</td>
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<td>PWSD-CT</td>
<td>Persons with Severe Disabilities Cash Transfer</td>
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<tr>
<td>SDE</td>
<td>State Department for Education</td>
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<td>SDHEST</td>
<td>State Department for Higher Education, Science and Technology</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>SDW&amp;RA</td>
<td>State Department for Water and Regional Authorities</td>
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<td>TSC</td>
<td>Teachers Service Commission</td>
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<td>UN</td>
<td>United Nations</td>
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<td>UNAIDS</td>
<td>Joint United Nations Programme on HIV and AIDS</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNICEF</td>
<td>United Nations Children's Fund</td>
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<tr>
<td>USD</td>
<td>United States Dollar</td>
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Executive Summary

Introduction
This report presents findings of the social sector budget analysis carried out with a focus on health, education, social safety nets, and water services. The analysis covered the post devolution period (2013-14 to 2015-16), and mainly used financial data reported in the national and county budget implementation review reports prepared by the Office of the Controller of Budget. Unlike budget briefs of several African countries that mainly analysed budget allocations, the present study has tracked actual expenditure in sector analysis and estimated budget absorption rates.

For county level budget analysis, the study team visited ten selected counties (Kitui, Mombasa, Marsabit, Migori, Homa Bay, Kakamega, Turkana, Kilifi, Garissa, and Wajir) and conducted interviews with the senior officers of the concerned departments.

The budget analysis presented in this report however suffers from two major limitations. First, in the absence of readily available data, the present study could not capture the off-budget grants and in-kind support provided by the donors under a number of programmes. Second, lack of disaggregated on-budget data by programmes/sub-programmes (e.g. nutrition, HIV/AIDS, sanitation and hygiene), especially at the county level, has constrained tracking expenditure at the required level and left some gaps in understanding the social sector budget performance.

In the above background, the key messages of the present study are summarised as follows.

Overall social sector spending at national level
The share of social sectors spending in the aggregate expenditure by the national ministries, department and agencies was 34 per cent in 2015-16, of which education had the highest share (25 per cent). Health, environment, water and natural resources, and social protection accounted for meagre shares. There is a need for enhancing investments in these areas.

Budget execution
The present study has found weak budget implementation, especially for development budget. Overall budget absorption both at national and county levels was around 80 per cent in 2015-16. The utilisation of development budget was much lower at 65 per cent. It is imperative that the concerned ministries, departments and agencies of the national and county governments track all the factors impeding budget execution and take appropriate remedial measures.

Health sector
Post devolution Kenya’s health spending by the national and county governments grew to Ksh 116 billion in 2015-16 (or USD 26 per capita). However, health share in total expenditure of the national and county governments stood at 8 per cent, little over half the Abuja Declaration rate of 15 per cent. In relation to GDP, the health share remained at 1.8 per cent. The low public expenditure on health has significantly pushed the households’ out-of-pocket expenditure. Both the national and county governments are required to significantly scale up health investments to reduce out-of-pocket expenditure and achieve universal health coverage.
At the national level, the present study has noted (a) highly skewed spending on curative health services vis-à-vis other programmes viz. preventive and promotive health services, and maternal and child health care; and (b) high spending on administration, planning and support services. It is recommended that the Ministry of Health review the spending pattern to ensure allocation efficiency of public health expenditure.

Analysis of the ten selected counties has revealed weak association between per capita public health expenditure and the provision of health services (e.g. 4+ ANC visits, skilled delivery). The evidence suggests that the counties need to ensure that health care services are commensurate with the public spending in the sector.

**Key messages:**

- Health spending by the national and county governments grew to an estimated amount of Ksh 116 billion in 2015-16 (or USD 26 per capita), however, health share in total expenditure stood at 8 per cent, little over half the Abuja Declaration rate of 15 per cent. Considering Kenya's commitment to achieve the MDGs, the county needs to enhance the spending by health sector.

- Out-of-pocket expenditure by households has increased due to low spending by Govt.

- MoH needs to monitor execution of development budget that mainly represents grants/transfers to semi-autonomous government agencies which will improve absorption rates. Actual expenditure represented only 68% absorption rate (Recurrent was 86% while development is only 52%)

- The highly skewed spending on curative health services vis-à-vis other programmes, as well as high spending on overheads, need to be reviewed to ensure allocation efficiency of public health expenditure.

**Basic education**

In 2015-16, public expenditure on basic education at national level amounted to Ksh 294 billion, representing 25.4 per cent of the total spending by the ministries, departments and agents, and 4.6 per cent of GDP. About 96 per cent of the sector spending was recurrent in nature, mostly representing salary payments to primary and secondary teachers.

The shares of primary and secondary education in the total expenditure (excluding teachers' salaries, which are separately paid through Teachers Service Commission) stood at 30 per cent and 60 per cent respectively. About 5 per cent was spent for quality assurance and standards, while administration, planning and support services absorbed another 5 per cent. In the absence of required data, the present study could not assess allocation efficiency of programme-wise spending on basic education. It is advisable to undertake a separate study to assess allocation efficiency of government spending on basic education.

In the ten selected counties, public expenditure on pre-primary education and skills development in 2015-16 varied from 12 per cent (Kilifi) to 3 per cent (Migori). It hardly needs to be emphasised that the counties with lower shares must increase their spending.

Some of the selected counties (e.g. Kakamega, Kilifi, Kitui) have been supporting programmes that are not devolved to them, such as subsidising polytechnic fees,
secondary education bursaries, scholarship and other educational benefits for secondary and tertiary education. The experience of best practicing counties may be documented and shared with other counties.

The present study has noted a general need for rationalisation of teachers’ recruitment. For instance, Turkana with pupil-teacher ratio of 72 needs more teachers to reduce the pressure of high PTR and improve quality of education, while the counties like Marsabit, Mombasa and Homa Bay with PTR of about 30 students per teacher are having more teachers. At the primary level, as per the Education and Training MTP2 (2013-2018), the recommended PTR is 45 students per teacher for high potential areas and 25 students per teacher at rural and ASAL region. At post primary level teacher distribution is based on Curriculum Based Establishment (CBE).

**Key messages:**

- The share of education in the total spending by the national ministries, departments and agencies has remained highest among all the sectors. The overall budget absorption was 91% (development budget was 59%).

- Of the total expenditure on basic education (excluding teachers’ salaries, which are separately paid through Teachers Service Commission), shares of primary and secondary education stood at 30 per cent and 60 per cent respectively; 5 per cent was spent for quality assurance and standards, while administration, planning and support services absorbed another 5 per cent.

- The spending on pre-primary education and skills development by the selected sample of counties reveals significant variation between the counties. It is imperative that the counties with lower share increase their spending on basic education to improve the quality of service delivery.

- Some of the selected counties (e.g. Kakamega, Kilifi, Kitui) have been supporting programmes that are not devolved to them, such as subsidising polytechnic fees, secondary education bursaries, scholarship and other educational benefits for secondary and tertiary education.

- The present study has noted a general need for rationalisation of teachers’ recruitment as counties had different norms for student pupil ratio.

**Social safety nets**

The cash transfer programmes have gained momentum since launching of the National Safety Net Programme in 2013. Between 2013-14 and 2015-16, the number of beneficiary households under four cash transfers programmes (viz. CT-OVC, OPCT, PWSD-CT, and HSNP) increased from 522 thousand to 829 thousand, representing an average growth rate of 26 per cent per year. However, the programme coverage in relation to the population of the poor households that needs financial support still continues to be low. For example, CT-OVC programme covers 61 per cent of the poor households with orphans. There is a need to increase the coverage of NSNP.

National spending on NSNP doubled during the post-devolution period, rising from Ksh 8.7 billion in 2013-14 to Ksh 18.2 billion in 2015-16. As a percentage of GDP, cash transfers remained as low as 0.3 per cent during the last two years. The government needs to scale up investments to increase coverage of safety net programmes.
The value of cash transfers per month per beneficiary for CT-OVC, OPCT and PWSD-CT was last revised in 2011, whose real value stood at Ksh 1,515 in 2015-16 compared to nominal value of Ksh 2,000. It is imperative that the government index the value of cash transfer to rates of inflation.

NSNP continues to face a few key challenges e.g. delay in release of funds to payment agents and beneficiaries. The government needs to address these challenges.

**Key messages:**

- Between 2013-14 and 2015-16, the number of beneficiary households under four cash transfers programmes (viz. CT-OVC, OPCT, PWSD-CT, and HSNP) under NSNP increased from 522 thousand to 829 thousand, growing at 26 per cent per year.

- National spending on NSNP doubled during the post-devolution period, rising from Ksh 8.7 billion in 2013-14 to Ksh 18.2 billion in 2015-16. The government needs to create more fiscal space to scale up investments on safety net programmes.

- The value of cash transfers for CT-OVC, OPCT and PWSD-CT was revised in 2011 and since then value has diminished due to inflation. It is imperative that the government index the value of cash transfer to rates of inflation.

- NSNP continues to face a few key challenges e.g. delay in release of funds to payment agents and beneficiaries). The government needs to address these challenges.

**Water services**

Water services in Kenya are a devolved function *albeit* the roles of the two governments in the development and operation of assets in the sector require more clarification. Between 2012-13 and 2014-15, coverage of water supply by the utilities increased from 53 to 55 per cent compared to national target of achieving 80 per cent by 2015, indicating a situation of stagnation.

In 2015-16, the expenditure on water services by the State Department for Water and Regional Authorities was Ksh 16 billion, representing one per cent of the total expenditure by the national ministries, departments and agencies and 0.3 per cent of GDP. Development expenditure accounted for nearly 97 per cent of the total expenditure, but the amount was insufficient to meet the investment needs of the sector and hence government needs to look for private investments.

Another serious concern for the underfunded sector is the low budget absorption rate of 43 per cent. The factors impeding the budget utilisation must be identified and addressed.

The water resource management absorbed over 80 per cent of the sector spending in 2015-16. The higher priority to water resources management seems to be justifiable, given the national goal of increasing water coverage.

**Key messages:**

- Lack of clear WASH budget line at the National and County level hampering the policy makers on exact allocations needed and expenditure made.
• Between 2012-13 and 2014-15, coverage of water supply by the utilities increased from 53 to 55 per cent compared to national target of achieving 80 per cent by 2015, indicating a situation of stagnation.

• In 2015-16, the expenditure on water services by the State Department for Water and Regional Authorities was Ksh 16 billion, representing one per cent of the total expenditure by the national MDAs and 0.3 per cent of GDP. Apart from donors’ funding, the government needs to look for private investments while focussing on improving the absorption levels.

• A serious concern for the sector starving for funds is the low budget absorption rate of 43 per cent.

• The water resource management that entails water resources conservation and protection, water storage and flood control, and water supply infrastructure absorbed nearly 81 per cent of the sector expending in 2015-16. The higher priority to water resources management seems to be justifiable, given the national goal of increasing water coverage.
Chapter 1: Introduction

1.1 Background of the Study

Social sector budgeting is a powerful tool for a government to implement its social policies and advance the children's rights. Whether children's rights to health, nutrition, education and protection can be fully realized depends heavily on whether these rights are given due consideration and prioritized during the budgeting processes, in which resources are marshalled and policies are translated into financial commitments. Social budgeting in Kenya was initiated in 2005, with support of the United Nations Children’s Fund (UNICEF) and the Swedish International Development Cooperation Agency (SIDA). The study was undertaken on a pilot basis in three districts (Isiolo, Kwale, and Turkana). UNICEF also supported another study on child budget in 2014-15. This was conducted at national level and in six counties (Garissa, Kakamega, Kilifi, Kwale, Tana River, and Turkana).

In the above backdrop, UNICEF has recently commissioned service of IPE Global Ltd. (New Delhi, India) to (i) undertake social sector budget analysis in Kenya; (ii) prepare national and select county level budget briefs; and (ii) disseminate the briefs for advocacy, capacity building, and resource mobilization for more social sector investments.

This report presents the findings of the budget analysis focusing on the social sectors, namely health, education, social safety net, and water services. The county level analysis is limited to ten counties viz. Kitui, Migori, Homa Bay, Mombasa, Marsabit, Turkana, Garissa, Kilifi, and Wajir and Kilifi. These counties had ongoing programme support from UNICEF based on levels of child deprivation. Mombasa picked on the urban rural divide consideration.

1.2 Data and Methodology

At national level, budget analysis is carried out using the budget and expenditure data of the concerned ministries, departments and agents (MDAs) in health, education, water and social protection sectors. The rationale behind picking these sectors is the keen interest of UNICEF in supporting equity, efficiency and effectiveness in planning and budgeting of public sectors which are key to improving the standard of living of children. For the purpose of budget analysis at national level, financial data and information are sourced from the following key documents: National Government Budget Implementation Review Report (NGBIRR), which is prepared by the Office of the Controller of Budget (OCOB); Medium Term Expenditure Framework (MTEF) reports for the concerned sectors; National Budget Policy Statement (NBPS); National Budget Review and Outlook Paper (NBROP); and several other relevant documents and reports.

For county level analysis, financial data are obtained from County Governments Budget Implementation Review Report (CGBIRR). The study has also drawn data from Integrated Financial Management Information System (IFMIS) data which are available from 2014-15 or 2015-16 onwards. IFMIS is still evolving and disaggregate budget and expenditure data by programmes are not available at required level.

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1 For details see UNICEF Kenya (February 2007): Social Budgeting - Investments in Kenya’s Future
2 For detailed findings refer to Institute of Economic Affairs (May 2015): Child Budget Analysis in Kenya: National Government and Six County Governments
3 The names of the concerned MDAs are mentioned at appropriate places in this report.
4 According to Article 228(6) of the Constitution, OCOB submits to each House of Parliament reports on the implementation of the national and county budgets every four months.
5 IFMIS data are available from 2014-15 or 2015-16 onwards. IFMIS is still evolving and disaggregate budget and expenditure data by programmes are not available at required level.
Management System (IFMIS) when disaggregated data are not provided by CGBIIRR. In addition, the study team referred to several other documents such as: County Integrated Development Plan (CIDP); Annual Development Plan (ADP); County Fiscal Strategy Paper (CFSP); and County Budget Review and Outlook Paper (CBROP). In addition, the study team visited the selected ten counties spread over the period from August to October 2016, and conducted interviews with the senior county officers of the concerned departments. Those counties were selected where UNICEF had a support base from the on-going programme at various levels of child deprivation. The consideration for including both urban and rural counties was also kept in mind while selecting the counties. The county level interactions has facilitated collection of qualitative data. The social sector budget analysis at national level covers a four-year period from 2012-13 to 2015-16. The county level analysis spans over the post devolution period from 2013-14 to 2015-16. The budget analysis is carried out using on-budget expenditure data grouped by recurrent and development heads. The study inter alia tracks sector budget allocations and absorption rates. However, in the absence of readily available data, the present study could not capture the off-budget grants and in-kind support (e.g. immunization vaccines) provided by the donors under a number of programmes related to nutrition, HIV/AIDS, feeding school children; etc. Such grants or in-kind support are directly provided to the service providers in the counties. The present study suffers from another limitation. Lack of disaggregated data by programmes and sub-programmes, especially at the county level, has constrained tracking of expenditure at the required level and thereby left some gaps in understanding the social sector budget performance.

1.3 Structure of the Report
This introductory chapter presents background and an overview of the data and methodology of the study. The rest of this report comprises of five chapters. The second chapter presents an overview of recent developments in Kenya and trend analysis of national and county level budget and expenditure. The third, fourth, fifth and sixth chapters review public expenditure on health, education, social protection, and water resources sector respectively. The present study has also prepared social sector budget brief for each of the ten selected counties, which are not attached with this report and available separately.
Chapter 2: Recent Developments in Kenya

2.1 Key Messages

- Under new governance structure, the counties are investing and providing devolved services *albeit* confronting several challenges, including resource and capacity constraints and weak intergovernmental relations.

- Kenya has achieved lower middle-income status. With GDP growth rate hovering around 6 per cent, the economy has shown resilience to global slow down and volatilities in the commodity, money and foreign exchange markets. The economic outlook is subject to risks (threat to security; likelihood of slowdown in private investments in view of forthcoming election in August 2017; reversal of short flows from US; and rebalancing of the Chinese economy).

- The country made significant gains in human development and reducing gender gaps. Despite progress, the country is still facing inter-county inequities in all the spheres of social development.

- Between 2011-12 and 2015-16, the aggregate expenditure of the national MDAs grew at nominal rate of 12.5 per cent and reached Ksh 1.16 trillion. However, the share of development expenditure remained below the threshold level of 30 per cent in the first two years, and attained 40 per cent in 2015-16.

- Despite growth in spending, budget implementation by the national MDAs, especially for the developmental activities, has remained a big challenge. In 2015-16, absorption rate stood at 78 per cent (87 per cent for recurrent and 66 per cent for development budgets). **Appropriate measures are required to improve budget execution, particularly of development budget.**

- The share of social sectors spending in the aggregate expenditure by the national MDAs was 34 per cent in 2015-16, of which education had the highest share (25 per cent) while health, environment, water and natural resources, and social protection accounted for meagre shares. **There is a strong case for enhancing investment in priority areas such as social protection.**

- Following devolution, the county level expenditure grew at a nominal rate of 32 per cent touching Ksh 295 billion in 2015-16. In real terms, the growth rate averaged to 24 per cent. The other highlights are as follows:
  - The developmental spending as a proportion of total expenditure remained uneven across the counties. In 2015-16, share of development expenditure was less than the threshold level of 30 per cent in 14 counties.
  - Like the national government, the counties faced the challenge of budget execution. In 20 counties absorption rates remained below the average rate of 80 per cent. These counties need to improve execution of the development budget.
  - There were other factors that affected budget performance of the counties *viz.* heavy reliance on national transfer for financing expenditure (local revenues finance only 12 per cent); growing burden of salaries and wages (62 per cent of the recurrent expenditure and 40 per cent of the total expenditure); and high level of pending bills. **Going forward, the counties are required to focus on own resource mobilization, contain salary and wage bills, strengthen**
procurement management, and negotiate with the National Treasury for timely disbursement of fiscal transfers.

2.2 New Governance Structure

The Constitution of Kenya 2010 has ushered in a new governance structure in 2013/14, comprising of the national government and 47 county governments. Under the new structure, power and functions have been divided between the national and county governments. Constitution lay special emphasis on public participation, transparency and accountability as a means of improving efficiency, equity, and inclusiveness of basic service delivery. Though distinct and separate, the two levels of government are required to conduct their functions based on mutual consultation and cooperation.

Post 2013 elections, the counties assumed responsibilities for funding and delivering the devolved services such as county planning and developments; agriculture; pre-primary education; vocational education; health care services (excluding national referral services); water and sanitation services; roads; and county public works and services. Based on various interactions held during the study, it can be safely assumed that the first three years of devolution (2013-14 to 2015-16) have brought notable progress. Most counties have experienced an increase in resource flows as reflected in increased budget allocation and expenditure in various sectors. The poverty reduction initiatives in the counties has resulted in improved agriculture production, development of commodity value chains, and infrastructure development in rural areas. The counties have also invested and provided the devolved services (health, pre-primary education, water and sanitation, social protection, etc.), covering regions that hardly received any services earlier.

However, the counties are still grappling with several issues, including resource constraints to meet competing sector demands; weak county systems; and challenges in attracting and retaining competent or trained staff to support planning, budgeting and implementing participatory process. The counties are also faced with several issues of intergovernmental relations, and significant level of governance and managerial challenges, especially in areas related to procurement and employment.

2.3 Vision and Plans

Kenya Vision 2030 presents the country’s development blueprint for the period 2008 to 2030. It envisages transforming the country into a middle-income industrialized and globally competitive economy with a high quality of life for its citizens in a clean and secure environment. The vision is based on economic, social, and political pillars. The economic pillar aims to improve the prosperity of all Kenyans through a sustained economic growth.
rate of 10 per cent per year. The social pillar seeks to build a just and cohesive society with social equity in a clean and secure environment. The political pillar aims to realise a democratic political system founded on issue-based politics that respects the rule of law, and protects the rights and freedoms of every individual in Kenyan society.

For achieving the Vision 2030, the national government has developed successive five-year plans. The first Medium Term Plan (MTP-I) covered the period 2008-2012, while the second plan (MTP-II) spans over 2013 to 2017. MTP-II has prioritized several thematic areas including: youth employment; poverty and inequality reduction; provisions of social services; At the county level, Vision 2030 provides the overarching framework for developing County Integrated Development Plan. Based on CIDP, each county prepares its Annual Development Plan. Some of the county governments also prepare MTEF.

2.4 Economic Growth

Kenya achieved the lower middle-income status and became the ninth largest African country in 2014. The economy experienced 5.9 per cent growth in real Gross Domestic Product (GDP) in 2015, slightly higher than the average growth rate of 5.4 per cent achieved over the period 2011-2014. The GDP growth rate is projected to rise to 5.9 per cent in 2016 and 6 per cent in 2017 underpinned by low oil prices, good agriculture performance, on-going infrastructure investments, and supportive fiscal and monetary policies. The Kenyan economy has also created more jobs in recent years, but mostly in the informal sectors that are characterised by low productivity.

In the next ten years, nine million youth will enter the labour market of which majority will continue to find jobs in the informal sectors.

Macroeconomic stability has been preserved with inflation averaged at 6.4 per cent over the period from 2013 to 2015 as compared to the rates of 14 per cent and 9.6 per cent in 2011 and 2012 respectively. On the fiscal front, the country has experienced expansionary pressure since the fiscal devolution in 2013-14 due to high administrative cost of devolution, investments in infrastructure (e.g. construction of standard gauge railway), growing interest burden, high salary and wage bills, and slow growth in the revenue

12 MTEF was introduced in the year 2000 as part of the public expenditure management reforms.
13 Average GDP growth rate is estimated based on the rates reported in Economic Survey 2016, KNBS.
14 The projected growth rates are sourced from Kenya Economic Update, World Bank, March 2016.
15 Kenya Economic Update, March 2016
16 Ibid
17 The inflation rates in 2013, 2014 and 2015 were 5.7, 6.9 and 6.6 per cent respectively. See Kenya Economic Update, op. cit.
As a result, the budget deficit (including grants) increased from 5.4 per cent of GDP in 2012-13 to 8.6 per cent of GDP in 2014-15. However, the deficit is estimated to decline marginally to 8.1 per cent in 2015-16, signalling the beginning of a gradual fiscal adjustment. In recent years the national government has been relying more on external debt compared to domestic borrowing to finance fiscal deficit. The increased debt financing has so far not endangered the debt sustainability of the country.

Kenya’s economic outlook in the near and medium terms is subject to downside risks, including security threats, slowing down of private investments until the forthcoming election in 2017, the rebalancing of Chinese economy from import of raw materials to consumer goods, and reversal of short flows from US due to hike in Federal policy rate that helps in financing the external account.

2.5 Social Development

The social pillar of Vision 2030 seeks investing in the people of Kenya focusing on education; health; environment, water and sanitation; population, urbanization, and housing;

2.6 Expenditure by National MDAs

The aggregate expenditure of the government MDAs at the national level amounted to Ksh 1,158 billion in 2015-16 compared to Ksh 812 billion in 2012-13, the year prior to devolution, registering an average annual growth by 12.5 per cent (Figure 2.1). In real terms (at 2011-12 prices), total expenditure grew at 5.8 per cent, from Ksh 741 billion to Ksh 877 billion.

falls below HDI as inequality rises. The difference between HDI and IHDI values, expressed as a percentage of HDI value, measures loss in human development due to inequality. Gender Inequality Index (GII) also declined from 0.608 to 0.552, indicating reduction in human development gaps between women and men.

Despite encouraging progress the country is besieged with inter-county inequities in poverty and social development. Poverty is highest in arid and semi-arid regions.

Another big challenge is huge resource gap to undertake required interventions for social sector development and also provide services to a population of 44.2 million (KNBS estimate for 2015) that is growing at a rate of 2.9 per cent per year.

All HDI related data are sourced from the Human Development Report, 2012 & 2014.

24 HDI is basic measure of human development of a country but it masks inequality in the distribution of human development across the population. IDHI is estimated discounting HDI value for inequalities. IHDI equals to HDI when there is no inequality, but it

25 GII represents gender-based inequalities in three dimensions viz. reproductive health, empowerment, and economic activity.

26 For more details refer to Exploring Kenya’s Inequality: Pulling Apart or Pooling Together, KNB and SID, 2013.
Alongside the growth in total expenditure, the share of development spending gradually rose to 39 per cent in 2015-16, from as low as 24 per cent in 2012-13. In fact, during 2012-13 and 2013-14, development spending remained below the threshold level of 30 per cent as specified in PFM Act.

The trend in national expenditure as described above masks less-than-desired level of budget implementation during the reviewing period. In 2015-16, recurrent budget absorption was 87 per cent, down from 96 per cent in 2013-14. The execution of the development budget in 2015-16 was even lower at 66 per cent. The overall absorption rate stood at 78 per cent, up from 70 per cent in 2011-12.

According to the National Government Budget Implementation Reports (2014-15 & 2015-16, OCOB), two factors, among others, affected budget implementation: (a) approval of the supplementary budgets towards the end of the financial year, which left insufficient time for implementation of budgeted activities; and (b) delay in release of development funds by the National Treasury that led to significant level of pending bill payments. It is imperative that the government reviews both the impeding factors and take appropriate actions.

Figure 2.1: Trends in expenditure by national MDAs

As of 2015-16, education sector accounted for the highest share of 25.4 per cent in the total expenditure by the national MDAs (Figure 2.2). The share declined by about 3 per cent point compared to the level in 2012-13, partly due to devolution of pre-primary education and the vocational training to the counties.

Besides education, other sectors with higher shares in the total expenditure by the national MDAs were: energy/infrastructure/ICT (21 per cent); public administration and international relations (17.5 per cent); governance, justice, law and order (12.5 per cent); and national security (9.8 per cent).

The health sector share in the total spending stood at 3.7 per cent in 2015-16, slightly down from the previous year’s share of 4.1 per cent, and less than half the share of 9.8 per cent in 2012-13, the year prior to devolution of the primary and secondary health care services to the county governments.
The national spending for social protection, culture and recreation, and environment, water, and natural resources remained very low throughout the period under consideration. In 2015-16, each sector had a share of 2.3 per cent in the total national expenditure by MDAs.

The overall national level expenditure in the social sectors (education, health, water, social protection) represented about 33.7 per cent of the total spending in 2015-16 compared to 41.5 per cent share prior to devolution in 2012-13. The decline in share was largely due to devolution of health/education services to the counties. However, the national government continues to play key role in priority areas such as social protection, and there is a strong case to create more fiscal space for increasing investments in such areas.

2.7 County Level Expenditure

In 2015-16, aggregate nominal expenditure of the county governments amounted to Ksh 295 billion compared to Ksh 169 billion in 2013-14, the first year of devolution. The spending grew at 32 per cent during this period (Figure 2.3). In real term (2011-12 prices), the expenditure by the county governments stood at Ksh 224 billion in 2015-16, registering a growth rate of 24 per cent per year. In terms of composition, the share of recurrent expenditure in the total expenditure was 65 per cent in 2015-16, a steady decline from a 78 per cent share in 2013-14. The trend actually depicted a gradual shift towards development spending.
However, share of development spending in the total expenditure significantly varied across the 47 counties. In 2015-16, development budget spending in 14 counties represented less than 30 per cent of the total expenditure, which is the minimum required level prescribed in the PFM Act 2012 (Figure 2.4). These counties were Taita/ Taveta (15 per cent), Nairobi City (17 per cent), Nakuru (21 per cent), Kiambu (22 per cent), Elgeyo/ Marakwet (22 per cent), Nyeri (23 per cent), Embu (24 per cent), Kirinyaga (26 per cent), Meru (27 per cent), Baringo (27 per cent), Makuengi (27 per cent), Kisumu (28 per cent), Narok (29 per cent), and Tharaka –Nithi (29 per cent). The counties that reported more than 50 percent spending on developmental activities were Kwale (56 per cent), Mandera (57 per cent), Tana River (58 per cent) and Turkana (63 per cent).

As regards to budget execution, the aggregate level performance of the 47 counties improved over the past years. In 2015-16, absorption of the recurrent expenditure was 92 per cent compared to 83 per cent utilisation in 2013-14 (Figure 2.3). Similarly, developmental activities absorbed 65 per cent of the budget in 2015-16, representing a significant increase over the 36 per cent spending in 2013-14. The overall absorption rate stood at 80 per cent in 2015-16, up from 65 per cent in 2013-14.

However, the counties displayed variation in budget execution (Figure 2.4). In 2015-16, some counties achieved budget absorption rate of 90 per cent and above, namely Bomet (98 per cent), Wajir (94 per cent), Kiambu (91 per cent) and West Pokot (90 per cent). The absorption rates remained below average in 20 counties. Some counties with very low rates were Embu (69 per cent), Vihiga (69 per cent), Kisumu (67 per cent) and Makuengi (58 per cent).
There were other notable factors that affected fiscal performance of the counties as follows. First, the counties continued to depend mainly on fiscal transfers (equitable share and grants) from the national government to finance the planned activities. Their own revenue (Ksh 35 billion) financed only 12 per cent of the total expenditure in 2015-16, exhibiting a sharp decline from 16 per cent financing ratio in 2013-14. Second, salary and wage bills of the counties increased at 24 per cent, from Ksh 77.4 billion in 2013-14 to Ksh 118.65 billion in 2015-16, reflecting significant expansion of human resources during the period. In 2015-16, the salary and wage bills accounted for 62 per cent of the recurrent expenditure and 40 per cent of the total expenditure in 2015-16. Third, the pending unpaid bills of the counties remained high, indicating weak procurement management and delay in disbursement of fiscal transfers by the National Treasury.
Budget Brief

Health
Chapter 3: Public Expenditure on Health

3.1 Key Messages

- Post devolution Kenya’s health spending by the national and county governments grew to an estimated amount of Ksh 116 billion in 2015-16 (or USD 26 per capita). However, health share in total expenditure stood at 8 per cent, little over half the Abuja Declaration rate of 15 per cent. In relation to GDP, the health share remained at 1.8 per cent. Considering Kenya’s commitment to achieve the MDGs, the county needs to enhance the spending by health sector.

- The low government spending on health has significantly pushed out-of-pocket expenditure by households. To reduce the burden of OOP expenditure, MoH has abolished user fees and provided free maternal care services. But, outcome of such measures are still not known. Both the national and county governments are therefore required to track OOP expenditure and take all measures to achieve universal health coverage.

- At national level, MoH budget dipped in 2013-14 due to devolution of health services to the counties, and thereafter budget was scaled up reaching Ksh 59 billion in 2015-16. As against this budget, actual expenditure was Ksh 42 billion representing an absorption rate of 68 per cent. While absorption of recurrent budget was 86 per cent, that of development budget was as low as 52 per cent. MoH needs to monitor execution of development budget that mainly represents grants/transfers to semi-autonomous government agencies which will improve absorption rates.

- MoH spending on curative health services increased from 39 per cent in 2013-14 to 45 per cent in 2015-16, while the share of preventive and promotive services declined from 16 to 10 per cent, and that related to mother and child health dropped from 12 to 11 per cent. Besides, nearly one-fourth of the expenditure was incurred for administration, planning and support services. The highly skewed spending on curative health services vis-à-vis other programmes, as well as high spending on overheads, need to be reviewed to ensure allocation efficiency of public health expenditure.

3.2 Sector Policy and Plan

The Kenya Health Policy 2014-2030 and the Kenya Health Sector Investment Plan 2014-2018 guide the health sector transformation agenda in the country. The overarching policy goal is to attain highest possible standards of health in a responsive manner. The policy also embraces six objectives, namely eliminating communicable diseases; reversing the rising non-communicable diseases; reducing the burden of violence and injuries; providing essential medicines; minimizing exposure to health risks; and strengthening collaboration with health related sectors. Besides, the policy is structured around eight health orientations, namely financing; leadership; products and technologies; information; workforce; service delivery systems; infrastructure; and research and development.

The strategic investment plan includes health outcome targets, the priority investments that would be necessary to achieve the desired outcomes, resource estimates and financing
strategy, organisational structure and sector coordination mechanism for implementing the plan, and a monitoring framework.

3.3 Health Care System

The health service delivery system in Kenya is organised into four tiers. At first tier, there are community health units (Level-1), each unit provides services to 100 households or 5,000 community members. The community health workers, volunteers, and a link facility health care worker run the community health units. The second tier consists of dispensaries (Level-2), and health centres (Level-3). Dispensaries provide outpatient and antenatal monitoring services, and perform minor surgical procedures. Some dispensaries are also equipped to conduct deliveries. The health centres provide outpatient and basic inpatient services including deliveries. The third tier comprises of primary hospitals (Level-4) and secondary hospitals (Level-5). Some secondary hospitals serve as training centres for clinical officers and nurses. The national referral hospitals (Level-6) make up the fourth tier. They offer highly specialised care, provide training and support research.

Between 2012 and 2015, there was expansion of health facilities and health personnel. The health facilities increased from 8,375 to 11,249 recording an average growth rate of 10.3 per cent per year. The network of facilities now includes 1,548 fully functional community units; 9,204 primary health care facilities; 484 county referral facilities; and 13 national level health facilities and institutions. During the same period, the number of registered medical and paramedical staff increased from 104,913 to 133,002 exhibiting an average growth rate of 8.2 per cent per year. Alongside, physical expansion, the number of doctors increased from 20 to 22 per 100,000 people. Similarly, number of nurses, clinical officers, and public health officers per 100,000 people grew from 86 to 104, 28 to 43, and 20 to 23 respectively. Despite progress many counties do not have adequate health facilities including primary hospitals. Most of the counties are also faced with shortage of health personnel, particularly specialists. Some counties in the ASAL areas even lack medical officers.

Prior to devolution, the management of health care systems was under the Ministry of Health. Under the devolved structure, the counties are responsible for Level-1 to Level-5 health care services. The mandate of MoH now consists of development of national policy and guidelines, providing technical support at all levels, monitoring quality and standards in health services, and providing tertiary referral services. MoH also oversees seven semi-autonomous government agencies and eight regulatory bodies.

27 The 2012 figure was sourced from *Kenya Human Development Report* 2013, while the figures for 2015 are estimated based on Kenya Master Health Facility List (http://kmhfl.health.go.ke/#/home).
28 Staff details are obtained from *Economic Survey 2014 & 2016*.
30 Further elaborations of MoH mandate is outlined in the Executive Order No. 2 of May 2013.
31 The semi-autonomous agencies are Kenyatta National Hospital; Moi Teaching and Referral Hospital; Kenya Medical Research Institute; Kenya Medical Supplies Authority; Kenya Medical Training College; National Health Insurance Fund; and National AIDS Control Council. The following are the regulatory bodies: Medical Practioners and Dentist Board; Clinical Officers Council; Kenya Medical Laboratory Technicians and Technologists Board; Nursing Council of Kenya; Kenya Nutritionist and Dietetics Institute; Public Health Technicians Council; Pharmacy and Poisons Board; and Radiation Protection Board.
3.4 Health and Nutrition Status

Over the years, Kenya has made considerable progress in maternal and childcare services including nutrition interventions and practices (Table 3.1). This has led to improvements in health and nutrition outcomes albeit with wide variation across the counties. Between 2008-09 and 2014, infant mortality rate declined from 52 to 39 per 1,000 live births, under-five mortality rate from 74 to 52 per 1,000 live births, and maternal mortality ratio from 520 to 362 per 100,000 live births. However, maternal mortality ratio continues to be high. During the same period, the proportion of stunted children under five years declined from 35 to 26 per cent, wasted children from 7 to 4 per cent, and underweight children from 16 to 11 per cent. Evidently, stunting of children still remains a challenge. Undernourished or thin women of reproductive age declined from 12 to 9 per cent, but proportion of overweight or obsness increased from 25 to 33 percent. The disparities between various counties is quite alarming with ASAL counties being well below the national averages. The country has also been experiencing diet-related non-communicable diseases (e.g. diabetes, liver complications, cancer).

Table 3.1: Health and nutrition status – select indicators

<table>
<thead>
<tr>
<th>Maternal and child services</th>
<th>2008-09</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pregnant women received 4+ ANC visits (%)</td>
<td>47</td>
<td>58</td>
</tr>
<tr>
<td>Women received vitamin A dose postpartum (%)</td>
<td>46</td>
<td>54</td>
</tr>
<tr>
<td>Births assisted by a skilled provider (%)</td>
<td>44</td>
<td>62</td>
</tr>
<tr>
<td>Exclusive breast-feeding of 0-5 months infants (%)</td>
<td>32</td>
<td>61</td>
</tr>
<tr>
<td>12-23 months children fully vaccinated (%)</td>
<td>77</td>
<td>79</td>
</tr>
<tr>
<td>6-59 months children given vitamin A supplements (%)</td>
<td>30</td>
<td>72</td>
</tr>
<tr>
<td>Children under age 5 years slept under ITN (%)</td>
<td>47</td>
<td>54</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Mortality</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maternal Mortality Ratio (per 100,000 live births)</td>
<td>488 (520)*</td>
<td>362</td>
</tr>
<tr>
<td>Infant Mortality Rate (per 1,000 live births)</td>
<td>52</td>
<td>39</td>
</tr>
<tr>
<td>Under-5 Mortality Rate (per 1,000 live births)</td>
<td>74</td>
<td>52</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nutrition status</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Children under 5 years who are stunted (%)</td>
<td>35</td>
<td>26</td>
</tr>
<tr>
<td>Children under 5 years who are wasted (%)</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td>Children under 5 years who are underweight (%)</td>
<td>16</td>
<td>11</td>
</tr>
</tbody>
</table>
Women of reproductive age are thin or undernourished (%) 12 9
Women of reproductive age are overweight or obese (%) 25 33

Source: Kenya Demographic and Health Survey (KDHS) 2008-09 & 2014
* The figure within bracket is the estimated number presented in KDHS 2014 for comparison with the 2014 figure. See KDHS 2014, p 329-330.

Kenya is one of the six HIV high-burden countries in Africa. In 2015, about 1.5 million people were living with HIV, and prevalence rate stood at 5.9 per cent. About 36,000 people died from AIDS-related illnesses in the same year, although this figure steadily declined from its total of 51,000 in 2010. There are now 660,000 children orphaned by AIDS.

3.5 Health Expenditure in Kenya

In 2015-16, public health expenditure of Kenya was Ksh 115.7 billion, consisting of national spending of Ksh 42.3 billion and county level expenditure of Ksh 73.4 billion, compared to Ksh 75.1 billion in 2012-13, the year prior to devolution (Figure 3.1). The spending growth averaged 16 per cent per year. However, the share of health spending in the combined expenditure of the national and the county governments stood at 8 per cent in 2015-16, a little over half the Abuja Declaration rate of 15 per cent. As a proportion of GDP, health expenditure remained at 1.8 per cent. It may be further noted that the national and county governments together spent USD 26 per capita in nominal and USD 19 per capita in real terms.

Figure 3.1: Public health expenditure in Kenya

Source: Authors’ calculation based on financial data reported in NGBIRR/CGBIRR, OCOB, 2013-14, 2014-15, 2015-16
Note: Disaggregated county data by departments are not available for the financial year 2013-14.

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33 UNAIDS (2015): HIV and AIDS Estimates
34 In April 2001, the heads of state of African Union countries met in Abuja (Nigeria) and pledged to set a target of allocating at least 15 per cent of their budget to improve the health sector.
The low per capita public health spending has significantly pushed out-of-pocket (OOP) expenditure by the households on one hand and the donors funding support on the other. In 2012-13, OOP expenditure and the donors’ funding support (mainly for HIV/AIDS, TB, malaria, reproductive health, and immunization programmes) accounted for 26.6 per cent and 25.6 per cent of the country’s total health sector financing \(^{35}\).

To reduce the burden of OOP expenditure, the national government has abolished user fees and introduced free maternal health care services \(^{36}\).

### 3.6 Health Expenditure by MoH at national level

At the national level, the gross budget of the Ministry of Health dipped to Ksh 36 billion in 2013-14 from Ksh 92 billion in the previous year, representing devolution of health budget to the county governments \(^{39}\). Subsequent to devolution, the budget was steadily scaled up to Ksh 59 billion in 2015-16. Following the budget trend, actual health expenditure dipped to Ksh 28 billion in 2013-14 from Ksh 75 billion in 2012-13, and then grew to reach Ksh 42 billion in 2015-16 (Figure 3.1). Of the spending in 2015-16, recurrent and capital expenditure accounted for 60 per cent and 40 per cent respectively, compared to 74 per cent 26 per cent in 2012-13 (Figure 3.2). After devolution, most of the expenditure of MoH represented grants and transfers to the semi-autonomous government agencies, which increased the share of the development spending \(^{40}\).

In 2015-16, overall budget absorption was 68 per cent, representing a sharp decline from rate of 82 per cent in 2012-13 (Figure 3.2). Post devolution period, absorption of recurrent budget marginally improved from 82 to 86 per cent, while execution of development budget dipped from 71 to 52 per cent. Significantly low utilisation of development budget is a matter of great concern. MoH needs to closely monitor budget implementation, especially spending of the grants and transfers to different agencies.

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\(^{35}\) Kenya National Health Accounts 2012/13, MoH

\(^{36}\) The national government provides conditional grants to compensate county facilities for revenue forgone for providing free services.

\(^{37}\) Kenya Household Health Expenditure and Utilization Survey 2013, MoH

\(^{38}\) For further details about National Hospital Fund refer to Economic Survey 2016.


\(^{40}\) Health Sector Working Group Report, October 2015, MoH, p 36-37
Prior to devolution salaries/wages accounted for 48 per cent of the total on budget spending in the health sector\(^\text{41}\). Post devolution, bulk of the compensation to employees shifted to the counties. The employee compensation stood at Ksh 5.1 billion in 2015-16, representing 12 per cent in the total expenditure of MoH\(^\text{42}\).

Among the programmes of MoH, the curative health services absorbed 45 per cent of the total expenditure in 2015-16, compared to 39 per cent in the previous year (Figure 3.3). The increase in share of curative health services was accompanied by shrinking of shares of maternal and child health and preventive and promotive health services, from 12 to 11 per cent and 16 to 10 per cent respectively. The highly skewed spending in favour of curative health services vis-à-vis the other programmes needs to be reviewed to ensure allocation efficiency of public health spending. It is also important to note that nearly one-fourth of the total expenditure in 2015-16 was incurred for administration, planning, and support services. This could be another area for assessing the allocation efficiency of health expenditure.

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\(^{41}\) Source: Health Sector Working Group Report, October 2015, MoH, p 38

\(^{42}\) Estimated based on data of Office of the Controller of Budget
3.7 County Spending on Health

Public spending on primary/secondary health care services significantly vary across the counties. Among the sample counties studied, health spending by Garissa was USD 33 per capita in 2015-16, closely followed by Wajir with USD 30 per capita (Figure 3.4). At the bottom of the list were the counties like Migori and Turkana, which spent USD 11 and USD 8 per capita respectively. These counties need to substantially increase health spending.

**Figure 3.4: Per capita public health expenditure in ten selected counties**

**Figure 3.5: Per capita health expenditure vs. heath care services (2015)**
This present study also analysed association between per capita public health spending by counties and coverage of specific health care services (e.g. ANC visits, skilled delivery). The scatter plot of proportion of 4+ ANC visits against per capita health spending by county shows a positive but weak relationship (Figure 3.5). The fitted line is almost flat indicating that the counties with higher per capita public health expenditure do not necessarily achieve higher ANC coverage. For instance, per capita health expenditure of Mombasa (USD 20) is less than that of Wajir (USD 28), but its ANC coverage (70.1 per cent) is much higher than that of Wajir (40.4 per cent). Similar kind of inferences can be drawn from the scatter plot of percentage of skilled delivery against per capita health spending. The overall message from the analysis is that the counties are not only required to increase health expenditure, but also need to ensure commensurate rise in the delivery of health care services.
Budget Brief
Basic Education
Chapter 4: Public Expenditure on Basic Education

4.1 Key Messages

- In Kenya, education is partially devolved to the counties. The counties are now responsible for pre-primary education and village youth polytechnics.

- The share of education in the total spending by the national ministries, departments and agencies has remained highest among all the sectors. In 2015-16, nominal expenditure amounted to Ksh 294 billion, representing 25.4 per cent of the total spending by MDAs, and 4.6 per cent of GDP. About 96 per cent of the sector spending was recurrent in nature, mostly representing salary payments to primary and secondary teachers. The overall budget absorption was 91 per cent, but execution of development budget was low at 59 per cent. The concerned MDAs need to focus on improving absorption of development budget through effective monitoring mechanism.

- Of the total expenditure on basic education (excluding teachers’ salaries, which are separately paid through Teachers Service Commission), shares of primary and secondary education stood at 30 per cent and 60 per cent respectively; 5 per cent was spent for quality assurance and standards, while administration, planning and support services absorbed another 5 per cent. In the absence of required data, the present study could not assess allocation efficiency of programme-wise spending on basic education. A separate study may be undertaken to assess allocation efficiency of spending on basic education.

- The spending on pre-primary education and skills development by the selected sample of counties reveals significant variation. In 2015-16, the share of pre-primary education and skills development in the total county expenditure, varied from 12 per cent (Kilifi) to 3 per cent (Migori). It is imperative that the counties with lower share increase their spending on basic education to improve the quality of service delivery.

- Some of the selected counties (e.g. Kakamega, Kilifi, Kitui) have been supporting programmes that are not devolved to them, such as subsidising polytechnic fees, secondary education bursaries, scholarship and other educational benefits for secondary and tertiary education. The experience of best practicing counties may be documented and shared with other counties.

- The present study has noted a general need for rationalisation of teachers’ recruitment. For instance, Turkana with pupil-teacher ratio of 72 needs more teachers to reduce the pressure of high PTR and improve quality of education, while the counties like Marsabit, Mombasa and Homa Bay with PTR of about 30 students per teacher are having more teachers compared to enrolment in primary/secondary schools.

4.2 Progress in Basic Education

In alignment with the social pillar of Vision 30, the education sector envisions a competitive education, training, research and innovation for achieving sustainable development. The sector at national level consists of the State Department for Education (SDE); the State Department for Higher
Education, Science and Technology (SDHEST); the Teachers Service Commission (TSC); and several other affiliated agencies and institutions. The Early Childhood Development Education (ECDE) and the village polytechnics have been devolved to the county governments. SDE manages basic education at the national level, while TSC is in charge of recruitment and supervision of all teachers, both at national and regional level.

### Table 4.1: Progress in basic education – select indicators

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2012</th>
<th>2015*</th>
<th>% Increase (+) or decrease (-)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-primary schools (nos.)</td>
<td>39,758</td>
<td>40,775</td>
<td>2.6</td>
</tr>
<tr>
<td>Enrolment in pre-primary schools (nos. in million)</td>
<td>2.71</td>
<td>3.17</td>
<td>17.0</td>
</tr>
<tr>
<td>Pre-primary GER (%)</td>
<td>69.4</td>
<td>76.4</td>
<td></td>
</tr>
<tr>
<td>Pre-primary NER (%)</td>
<td>64.2</td>
<td>74.6</td>
<td></td>
</tr>
<tr>
<td>Trained teachers (nos.)</td>
<td>80,526</td>
<td>92,906</td>
<td>15.4</td>
</tr>
<tr>
<td>Untrained teachers (nos.)</td>
<td>19,363</td>
<td>14,281</td>
<td>-26.2</td>
</tr>
<tr>
<td>Primary schools (nos.)</td>
<td>26,549</td>
<td>31,333</td>
<td>18.0</td>
</tr>
<tr>
<td>Enrolment in primary schools (nos. in million)</td>
<td>9.76</td>
<td>10.09</td>
<td>3.4</td>
</tr>
<tr>
<td>Primary GER (%)</td>
<td>106.4</td>
<td>103.6</td>
<td></td>
</tr>
<tr>
<td>Primary NER (%)</td>
<td>88.0</td>
<td>88.4</td>
<td></td>
</tr>
<tr>
<td>Secondary schools (nos.)</td>
<td>7,174</td>
<td>9,440</td>
<td>31.6</td>
</tr>
<tr>
<td>Enrolment in secondary schools (nos. in million)</td>
<td>1.91</td>
<td>2.56</td>
<td>34.0</td>
</tr>
<tr>
<td>Secondary GER (%)</td>
<td>50.5</td>
<td>62.9</td>
<td></td>
</tr>
<tr>
<td>Secondary NER (%)</td>
<td>33.9</td>
<td>47.8</td>
<td></td>
</tr>
</tbody>
</table>

* Provisional figures  
Source: Economic Survey 2016

There have been significant improvements in pre-primary education ever since the function was devolved to the county governments in 2013. The counties have constructed new ECDE centres, renovated and upgraded the existing centres, recruited teachers, and some counties also introduced feeding programs. The progress so far has been noteworthy. The number of ECDE centres increased from 39,758 in 2012 to 40,775 in 2015 (*Table 4.1*). During the same period, the number of trained ECDE teachers increased from 80,526 to 92,906, while the number of untrained teachers declined from 19,363 to 14,281. With the expansion of ECDE centres and recruitment of new teachers, total enrolment of children registered an increase from 2.7 million to 3.2 million, and Gross Enrolment Ratio (GER) and Net Enrolment Ratio...
(NER) improved from 69.4 per cent to 76.4 per cent, and 64.2 per cent to 74.6 per cent respectively.

At primary education level, increase in number of schools and continued implementation of free primary education program led to increase in enrolment from 9.8 million in 2012 to 10.1 million in 2015 (Table 4.1). During the same period, GER declined slightly from 106.4 per cent to 103.6 per cent, while NER remained at 88 per cent. However, at county level GER and NER varied significantly. For instance, 11 out of 47 counties (23 per cent) recorded below average NER in 2015.

At secondary level, total enrolment increased from 1.9 million to 2.6 million due to expansion or up-graduation of infrastructure and continued implementation of free day secondary education program (Table 4.1). Though GER and NER improved, absolute values as of 2015 were quite low at 62.9 per cent and 47.8 per cent respectively. Besides, GER/NER at secondary level was much lower compared to primary education. One reason for this is the slow expansion of secondary schools vis-à-vis the growth in primary schools, which has impeded access to secondary education.

Despite progress as discussed hitherto, basic education in Kenya has been besieged with a several challenges (as reported in the MTEF reports, Nov. 2015 and Sept. 2016). The early child development and education is faced with inadequate number of centres; lack of trained teachers; insufficient teaching and learning materials; and limited community participation. In case of primary and secondary education, more investments are required for expansion of infrastructure and for recruitment of trained teachers/instructors. There is also shortage of experts/teachers for special needs education. Another big challenge is the continued county disparities in access, equity, and quality of basic education.

4.3 Expenditure in the Education Sector at National Level

In 2015-16, the aggregate expenditure in the education sector by SDE, SDHEST, and TSC was Ksh 294 billion in nominal, and Ksh 223 billion in real terms (Figure 4.1). Compared to the spending levels in 2012-13, the nominal and real expenditure grew at an average rate of 9 per cent and 2.5 respectively. Besides, the sector spending in 2015-16 accounted 25.4 per cent of the total expenditure by the national MDAs, the highest among all the sectors. In relation to GDP too, the share of education at 4.6 per cent was highest among all the sectors.

In terms of types of expenditure, spending in the education sector remained predominantly recurrent in nature, with 96 per cent share in 2015-16 compared to 94 per cent in 2012-13.

The overall budget absorption in the sector was 91 per cent in 2015-16 compared to 87 per cent in 2012-13. However, execution of the development budget remained low throughout the reviewing period, and stood at 59 per cent in 2015-16. Low spending of the development budget is a common and chronic issue across all the sectors of national/county governments.

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43 Estimated based on 2015 primary school data
In 2015-16, TSC had the highest shares, 63 per cent, in the total national expenditure, which was one per cent point higher than the share in the previous year (Figure 4.2). TSC expenditure mostly represented payment of teacher salaries.\(^{44}\) The spending on basic and higher/technical education (excluding teacher salaries) accounted for 19 per cent (previous year 20) and 18 per cent (almost same in the previous year) of the total sector expenditure respectively.

The programme-wise break down of the spending for basic education during 2015-16 was as follows. The primary and secondary education had shares of 30 per cent (previous year 32 per cent) and 60 per cent (previous year 56 per cent) in the total expenditure (Figure 4.3). Five per cent (previous year 3 per cent) of the expenditure was incurred for academic quality assurance and standards, while another five per cent (previous year 9 per cent) was spent for administration, planning, and support services. Overall spending pattern seems to be in order, but in the absence of specific data, it has not been possible to assess allocation efficiency of the programme-wise spending on basic education.

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\(^{44}\) in 2015-16, personnel emoluments of TSC amounted to Ksh 184 billion, accounting for 99 per cent of its total expenditure. Though exact figure is known, nearly the entire amount of the personnel emoluments represented salaries paid to primary and secondary expenditure.
4.4 Expenditure on Education at County Level

Most counties have one ministry/department to provide early child development education and skills development alongside other services such as ICT, youth, sports, culture, and social services. Thus, disaggregated data are not available to specify spending on pre-primary education and youth polytechnics for skills development. Notwithstanding this limitation, this brief has estimated share of the education ministry/department as a proportion of the total county expenditure for ten sample counties. In 2015-16, the share was 12 per cent in Kilifi, followed by 10 per cent in Turkana (Figure 4.4). In Marsabit and Migori, the shares of education were as low as 4 per cent and 3 per cent respectively.

The national government runs the primary and secondary schools in the counties. It provides funding support directly to the schools in the form of capitation grants as well as teachers’ salaries. SDE transfers capitation grants at the rate of Ksh 1,420 per pupil and Ksh 12,870 per pupil for primary and secondary education to reduce the parents’ burden of school fees. However, some counties took initiatives to support programmes that were not devolved to them. For instance, in 2015-16, Kakamega spent Ksh 31.9 million, Ksh 155 million and Ksh 1.9 million for subsidising the polytechnic fees, bursaries for secondary level education, and scholarships at tertiary level respectively. In the same year, Kilifi and Kitui spent Ksh 140 million and Ksh 92 million for providing secondary scholarships and other educational benefits respectively.

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TSC pays salaries of primary and secondary school teachers in the counties. Over the last three years from 2013-14 to 2015-16, salary transfers by TSC grew at 7-8 per cent in most of the ten sample counties (Table 4.2). In Turkana, TSC transfers grew at 12 per cent, while Garissa witnessed a negative growth of 3 per cent. The reason for declining trend in TSC transfers could not be ascertained from the available information.

Table 4.2: Annual transfer of teachers’ salaries to 10 counties by TSC

<table>
<thead>
<tr>
<th>County</th>
<th>Ksh million</th>
<th>Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013-14</td>
<td>2014-15</td>
</tr>
<tr>
<td>Kitui</td>
<td>3,841.9</td>
<td>4,170.6</td>
</tr>
<tr>
<td>Mombasa</td>
<td>1,367.1</td>
<td>1,469.4</td>
</tr>
<tr>
<td>Marsabit</td>
<td>480.3</td>
<td>518.1</td>
</tr>
<tr>
<td>Migori</td>
<td>2,498.2</td>
<td>2,357.0</td>
</tr>
<tr>
<td>Homa Bay</td>
<td>1,633.6</td>
<td>1,789.5</td>
</tr>
<tr>
<td>Kakamega</td>
<td>3,343.2</td>
<td>3,623.6</td>
</tr>
<tr>
<td>Turkana</td>
<td>863.7</td>
<td>951.0</td>
</tr>
<tr>
<td>Kilifi</td>
<td>1,987.1</td>
<td>2,194.9</td>
</tr>
<tr>
<td>Garisa</td>
<td>610.5</td>
<td>675.9</td>
</tr>
<tr>
<td>Wajir</td>
<td>705.9</td>
<td>789.0</td>
</tr>
</tbody>
</table>

Source: TSC

The growing transfer of teacher salaries to a county is expected to improve *inter alia* pupil-teacher ratio (PTR) in primary and secondary schools. To enquire into this aspect, a scatter plot of PTR (primary and secondary combined) of the selected counties vs. annual salary transfers by TSC has been prepared. The fitted line is downward sloping as expected, showing an inverse relationship between teacher salary and PTR (Figure 4.5). This means with the availability of teachers in a county (as evident by the salary transfers) PTR shows a tendency to decrease. However, the strength of such
association was not found to be strong due to presence of a few outliers (around the linear fitted line). One such outlier is Turkana where primary and secondary level PTR is as high as 72 students per teacher. To reduce PTR would require increasing the TSC transfers (from the current spending of Ksh 1 billion) to recruit more teachers. In counties like Marsabit, Mombasa and Homa Bay, PTR remained around 30 students per teacher. The teachers’ availability is therefore more vis-à-vis enrolment of students. On the whole, the scatter plot analysis highlights the need for rationalisation of teacher recruitment across the selected counties. At the primary level, as per the Education and Training MTP2 (2013-2018), the recommended PTR is 45 students per teacher for high potential areas and 25 students per teacher at rural and ASAL region. At post primary level teacher distribution is based on Curriculum Based Establishment (CBE).

Figure 4.5: Association between annual TSC salaries and pupil-teacher ratio (2015)

Source: Authors’ analysis
Budget Brief

Social Safety Net
Chapter 5: National Expenditure on Safety Net Programmes

5.1 Key Messages

- Kenya has a long history of investing in social protection. The cash transfer programmes have gained momentum since launching of National Safety Net Programme in 2013, which aims at strengthening programme implementation and expansion of programme coverage.

- Between 2013-14 and 2015-16, the number of beneficiary households under four cash transfers programmes (viz. CT-OVC, OPCT, PWSD-CT, and HSNP) under NSNP increased from 522 thousand to 829 thousand, growing at 26 per cent per year. However, NSNP coverage continues to be low. For example, CT-OVC benefits 365 thousand poor households, indicating 61 per cent coverage. **There is a need to increase NSNP coverage.**

- National spending on NSNP doubled during the post-devolution period, rising from Ksh 8.7 billion in 2013-14 to Ksh 18.2 billion in 2015-16. In real terms, NSNP expenditure increased from Ksh 7.5 billion to 13.8 billion. As a percentage of GDP, NSNP spending remained as low as 0.3 per cent during the last two years. **The government needs to create more fiscal space to scale up investments on safety net programmes.**

- The value of cash transfers for CT-OVC, OPCT and PWSD-CT was revised in 2011 and since then value has diminished due to inflation. In 2015-16, real value of the cash transfer was Ksh 1,515 compared to nominal value of Ksh 2,000. **It is imperative that the government index the value of cash transfer to rates of inflation.**

- NSNP continues to face a few key challenges e.g. delay in release of funds to payment agents and beneficiaries). **The government needs to address these challenges.**

5.2 Social Protection in Kenya

Social protection is recognised as a Bill of Rights in the Constitution of Kenya (2010). Article 43(1)(e) states that “every person has a right to social security”, while Article 43(3) further mandates that the state “shall provide appropriate social security to persons unable to support themselves and their dependants”. The constitutional right to social security is closely interlinked with other social rights including rights to healthcare, human dignity, reasonable working conditions, and access to justice. In addition, Article 53(1) mandates to protect children from “abuse, neglect, harmful cultural practices, all forms of violence, inhumane treatment and punishment, and hazardous or exploitive employment”. It also affirms that children have basic rights including rights to education, nutrition, shelter, health care, and parental care.46

The constitutional emphasis on social security is reflected in Vision 2030 and embedded in the National Social Welfare of the Child (ACRWC) to which Kenya is a signatory.

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46 These provisions are aligned with those cited in the United Nations Convention on the Rights of the Child (UNCRC) and Africa Charter on the Rights and Welfare of the Child (ACRWC) to which Kenya is a signatory.
Protection Policy (NSPP) 2011. The Vision 2030 envisages an equitable society and aims at reducing poverty through investing in vulnerable groups in the society. NSPP 2011 contains the policy measures for safety net programmes (e.g. cash transfer programmes) and contributory schemes (e.g. hospital insurance fund). In 2014, NSPP was reviewed and developed further.

Kenya has a long history of investing in social protection through (a) safety net programmes, (b) contributory insurance schemes, and (c) civil service pension schemes.

The safety net programmes of the national government have gained momentum in recent years with greater emphasis on cash transfer (CT) to the target beneficiaries. In 2013, the government launched a National Safety Net Programme (NSNP) with a view to strengthen implementation system and expand coverage of the programmes in accordance with the need and in a coherent and effective manner. Currently, NSNP consists of four unconditional cash transfer programmes: (i) cash transfer for orphans and vulnerable children (CT-OVC); (ii) older person cash transfer (OPCT); (iii) persons with severe disabilities cash transfer (PWSD-CT); and (iv) Hunger Safety Net Programme (HSNP).

The policy is grounded on the Social Assistance Act of 2013. Refer to Sessional Paper No. 2 of 2014 on the National Social Protection Policy. Cash transfers are increasingly being seen as a key tool in East and Southern Africa for combating the threat of chronic poverty, hunger and HIV/AIDS.

NSNP originally included an Urban Food Subsidy Cash Transfer programme, which was phased out in 2014. CT-OVC, OPCT, and PWSD-CT programmes were moved from the Ministry of Gender, Children, and Social Development (which now ceased to exist) to the Ministry of Labour, Social Security, and Services (MLSSS). The more recent restructuring has led MSLSS to change into MLEAA.

It is understood that a Social Assistance Unit has been created under MLEAA to take charge of the implementation of the three CT programmes. This is a step towards better harmonization and efficiency in NSNP implementation. See the World Bank: Kenya Cash Transfer for Orphans and Vulnerable Children – Implementation Status & Results Report, 17 Nov. 2016.
scheme into a pension scheme. According to this Act, employed, self-employed and their dependents are eligible to register as contributing members of the fund.

NHIF provides coverage of inpatient hospital costs of bed and the subsistence charges for workers and their dependents. Membership of NHIF is compulsory for salaried workers in the formal sector. The informal sector workers and retirees can join the fund voluntarily.

5.3 Progress in NSNP

The four national safety net programmes have different eligibility criteria for targeting potential beneficiaries. CT-OVC aims at providing cash support to poor households caring for orphan and vulnerable children (i.e. children under 18 years who have lost one or both the parents, or are chronically ill, or having a chronically ill care giver, or living in a child-headed home after being orphaned). OPCT targets at poor households that include one member aged 65 years or older who does not receive any kind of pension. PWSD-CT aims at providing cash support to people with severe disabilities who require a caregiver. These three programmes have been implemented in all the 47 counties (Table 5.1). The fourth programme viz. HSNP supports extremely poor households only in four drought prone arid or semi-arid counties of north Kenya, namely Marsabit, Mandera, Turkana and Wajir.

![Table 5.1: Cash transfer programmes under NSNP](image)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>CT-OVC</th>
<th>OPCT</th>
<th>PWSD-CT</th>
<th>HSNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year launched</td>
<td>2004</td>
<td>2007</td>
<td>2011</td>
<td>2007</td>
</tr>
<tr>
<td>Cash value per household per month (Ksh)*</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
<td>2,550</td>
</tr>
<tr>
<td>Coverage of counties</td>
<td>47</td>
<td>47</td>
<td>47</td>
<td>4**</td>
</tr>
<tr>
<td>Number of beneficiary households (2015-16)</td>
<td>365,232</td>
<td>320,636</td>
<td>41,374</td>
<td>101,630</td>
</tr>
</tbody>
</table>

Source: Single Registry for Social Protection

* All the four programmes are required to pay cash amount to the beneficiary households every two months.

** Marsabit, Mandera, Turkana and Wajir.
A household enrolled under CT-OVC, OPCT and PWSD-CT programmes currently receives Ksh 2,000 per month. This cash value was set in 2011 and has not been revised thereafter. Under HSNP, a household receives Ksh 2,550 per month. The HSNP cash value has been increased several times; the last increase in cash value happened in July 2015. In times of drought or floods, HSNP provides short-term cash transfers to additional households as per targeting criteria and based on the availability of resources.

Between 2013-14 and 2015-16, the number of households under cash transfers programmes increased from 522 thousand to 829 thousand households, representing an average growth rate of 26 per cent per year (Figure 5.1). Of the 829 thousand beneficiaries in 2015-16, beneficiaries of CT-OVC and OPCT accounted for 44 per cent and 39 per cent respectively.

Despite increasing number of the beneficiary households, the overall gap between coverage of the safety net programmes and the number of poor households in need continues to be high. For example, the coverage of CT-OVC programme is only 61 per cent (Table 5.2). Clearly, there is a need to increase coverage of cash transfer programmes.

### 5.4 Spending on NSNP

The aggregate expenditure on cash transfer programmes under NSNP doubled during the post-devolution period, rising from Ksh 8.7 billion in 2013-14 to Ksh 18.2 billion in 2015-16 (Figure 5.2). In terms of 2011-12 prices, NSNP expenditure increased from Ksh 7.5 billion to 13.8 billion. As a percentage of GDP, NSNP spending remained as low as 0.3 per cent during the last two years. The government needs to create more fiscal space to scale up investments on safety net programmes.

The growth in nominal/real spending for cash transfers resulted from increase in coverage of the beneficiary households, and not from any enhancement of value of cash per household per month except for HSNP. The last increase in value of cash transfer for CT-OVC, OPCT and PWSD-CT was done in 2011. Since then value of cash transfers has diminished due to inflation. In 2015-16, real value of the cash transfer was Ksh 1,515 compared to nominal value of Ksh 2,000. It is imperative that the government protects purchasing power of the small cash transfers to poor households by indexing the value to rates of inflation.
Analysis of spending by types of programmes shows that CT-OVC accounted for 46 per cent of the total cash transfers in 2015-16, while the OPCT share stood at 38 per cent (Figure 5.2). PWSD-CT and HSNP represented 3 per cent and 13 per cent of the total expenditure for cash transfers respectively.

Table 5.2: Coverage of CT-OVC programme

<table>
<thead>
<tr>
<th>2015</th>
<th>Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Households population (million 2015)</td>
<td>12.0</td>
</tr>
<tr>
<td>Households with orphans (million)*</td>
<td>1.3</td>
</tr>
<tr>
<td>Poor households with orphans ('000)+</td>
<td>598</td>
</tr>
<tr>
<td>CT-OVC households ('000)</td>
<td>365</td>
</tr>
<tr>
<td>CT-OVC coverage (%)</td>
<td>61</td>
</tr>
</tbody>
</table>

Source: Authors’ estimation
* Assuming 11% of population based on census 2009
+ Assuming 46% population living below the poverty line (see https://www.unicef.org/kenya/overview_4616.html)

Though significant progress has been made in strengthening implementation of cash transfer programmes, NSNP continues to face a few key challenges (as highlighted in the March 2016 progress report of MLEAA) such as: difficulties in biometric enrolment of all the households; inability of some households to open a bank account due to some operational difficulties; slow establishment of payment agents; delay in release of funds to payment agents and beneficiaries; lack of awareness about complaints and grievance procedures among the beneficiaries; and non-resolution or unsatisfactory resolution of complaints in most cases. The government needs to address all these challenges.

Figure 5.2: Nation expenditure of CT programmes during post-devolution period

Expenditure on CT programmes under NSNP (Ksh billion)

<table>
<thead>
<tr>
<th>2013-14</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal</td>
<td>8.7</td>
<td>16.6</td>
</tr>
<tr>
<td>Real, 2011-12 prices</td>
<td>7.5</td>
<td>13.4</td>
</tr>
</tbody>
</table>

Expenditure by types of CT programmes 2015-16

- PWSD-CT 3%
- HSNP 13%
- CT-OVC 46%
- OPCT 38%

Source: Authors’ calculation based expenditure data culled out from NGBIRR, COOB; Single Registry for Social Protection; and MLEAA’s Progress Report (Towards a More Effective National Safety Net for Kenya), March 2016.
Budget Brief

Water Services
Chapter 6: National Expenditure on Water Services

6.1 Key Messages

- Lack of clear WASH budget line at the National and County level hampering the policy makers on exact allocations needed and expenditure made.

- Water services in Kenya are devolved function albeit the roles of the two governments in the development and operation of assets in the sector require more clarification.

- Between 2012-13 and 2014-15, coverage of water supply by the utilities increased from 53 to 55 per cent compared to national target of achieving 80 per cent by 2015, indicating a situation of stagnation.

- In 2015-16, the expenditure on water services by the State Department for Water and Regional Authorities was Ksh 16 billion, representing one per cent of the total expenditure by the national MDAs and 0.3 per cent of GDP. Development expenditure accounted for nearly 97 per cent of the total expenditure, but the amount was insufficient to meet the investment needs of the sector. Apart from donors’ funding, the government needs to look for private investments while focussing on improving the absorption levels.

- A serious concern for the sector starving for funds is the low budget absorption rate of 43 per cent. The factors impeding the budget utilisation must be identified and addressed.

- The water resource management that entails water resources conservation and protection, water storage and flood control, and water supply infrastructure absorbed nearly 81 per cent of the sector expending in 2015-16. The higher priority to water resources management seems to be justifiable, given the national goal of increasing water coverage.

6.2 Water Services in Kenya

Over the decades, Kenya has witnessed great transformation in the water services sector, including formalisation and commercialisation of services. Formalisation means that services are provided by licensed utilities (public limited companies) that provide water services as per the rules and standards set by Water Services Regulatory Board. Commercialisation implies that the utilities operate according to business principles. There are eight Water Services Boards that undertake investments to increase water and sanitation coverage, and supervise their utilities.

Under devolution, the counties are responsible for ensuring that utilities under their jurisdiction operate in an efficient and effective manner and remain commercially viable. The national government has a constitutional obligation to ensure progressive realisation of the citizens’ right to water/sanitation. State Department for Water and Regional Authorities is mandated inter alia to protect, conserve, manage, and increase access to clean and safe water for socio-economic development.

However, devolution of water services to the counties has not been without challenges. The roles of the national
and county governments in the development and operation of assets in the sector require more clarification. It is expected that the Water Act 2016 (not yet gazetted) would provide such clarification and pave the collaboration between the two levels of government.

**Figure 6.1: Progress in access to drinking water**

<table>
<thead>
<tr>
<th></th>
<th>Urban</th>
<th>Rural</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>3</td>
<td>48</td>
<td>22</td>
</tr>
<tr>
<td>2015</td>
<td>5</td>
<td>28</td>
<td>22</td>
</tr>
<tr>
<td>1990</td>
<td>92</td>
<td>33</td>
<td>43</td>
</tr>
<tr>
<td>2015</td>
<td>82</td>
<td>57</td>
<td>63</td>
</tr>
<tr>
<td></td>
<td>Surface water</td>
<td>Unimproved water source</td>
<td>Improved water source</td>
</tr>
<tr>
<td>1990</td>
<td>13</td>
<td>19</td>
<td>43</td>
</tr>
<tr>
<td>2015</td>
<td>19</td>
<td>15</td>
<td>15</td>
</tr>
</tbody>
</table>

### 6.3 Population Access to Water

Kenya is known as a water-scarce country with per capita water availability much below the minimum level of 1,000 m$^3$ recommended by the United Nations$^{53}$. However, over the years, the country has made good progress in improving population access to drinking water. As per the Joint Monitoring Programme Report 2015, the proportion of population having access to improved drinking water source increased from 43 per cent in 1990 to 63 per cent in 2015 (Figure 6.1). The rural-urban disparity in accessing water has also been reduced, but the gap still remains high.

The National Water Services Strategy (2007-2015) set three main goals to be achieved by 2015, namely increase in water coverage by the utilities to 80 per cent, reduction in non-revenue water less than 30 per cent, and full recovery of operation and maintenance (O&M) costs$^{54}$. Against these goals, actual progress as of 2014-15 was as follows. Water converge (number of people served with drinking water by a utility as a percentage of population within its service area) stood at 55 per cent (only 2 per cent points higher than the coverage in 2012-13); non-revenue water recorded 43 per cent (only one per cent point decrease over 2012-13); and recovery of O&M costs reached 99 per cent. The achievement, particularly in respect of water coverage, not only fell short of the goals, but also remained stagnant.

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$^{53}$ Kenya National Human Development Report 2013, p 67

6.4 National Spending on Water

The Office of the Controller of Budget presents water related budget/expenditure data under a head called environmental protection, water and natural resource sector. This sector now consists of three state departments, namely State Department for Environment and Natural Resources (SDENR), State Department for Water and Regional Authorities (SDW&RA), and Ministry of Mining (MoM). The national budget implementation report for the years 2012-13 and 2013-14 provide only aggregate sector data. Disaggregated data by the aforesaid three departments are available from 2014-15 onwards. The present analysis is therefore based on OCOB data covering only two years, 2014-15 and 2015-16.

Figure 6.2: National expenditure on water services

In 2015-16, SDW&RA spent Ksh 16 billion, showing a decrease over the previous year’s expenditure of Ksh 18 billion (Figure 6.2). In real terms, the water sector expenditure stood at Ksh 12 billion in 2015-16 compared to Ksh 15 billion in 2014-15. As a proportion of the aggregate expenditure by the national MDAs, sector share remained at 1 per cent in 2015-16, while in relation to GDP the share was 0.3 per cent.

About 97 per cent of the water sector spending in 2015-16 represented investments in water supply and sanitation. The share increased by 8 per cent points over the previous year.

However, given that a large proportion of the population still does not have access to safe water, investment needs are much more than what can be financed using public funds. The government therefore needs to seek private sector investments apart from the donors’ funding support55.

Apart from insufficient sector funding, another reason for stagnated progress in water supply coverage is the low utilisation of budgetary allocations to SDW&RA. In 2015-16, the overall budget absorption stood at 43 per cent, which was far below the budget execution rate of 59 per cent in the previous year. The present study could

55 For further discussion on the topic see Scaling Up Blended Financing of Water and Sanitation Investments in Kenya, Sept. 2015, World Bank.
not ascertain from available documents the factors that caused dismal execution of the department’s budget. But, those factors must be identified and all measures should be taken to address them.

SDW&RA activities/programmes comprise of (a) water resources management that includes water resources conservation and protection, water storage and flood control, and water supply infrastructure; (b) regional development including integrated basin based development and land reclamation; and (c) administration, planning and support services. In 2015-16 (up to 3 Qtrs.), share of the water resources management in the total spending by SDWRA was 81 per cent, 3 per cent points up from the last year’s share, while the integrated regional development and administration and planning accounted for 13 per cent and 6 per cent respectively (Figure 6.3). The higher priority to water resources management seems to be justifiable, given the national goal of increasing water coverage.

**Figure 6.3: National water sector expenditure by programmes**

<table>
<thead>
<tr>
<th>Year</th>
<th>Water resource management</th>
<th>Integrated regional development</th>
<th>Admin, planning and support services</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014-15</td>
<td>18%</td>
<td>4%</td>
<td>78%</td>
</tr>
<tr>
<td>2015-16 (3 Qtrs)</td>
<td>6%</td>
<td>13%</td>
<td>81%</td>
</tr>
</tbody>
</table>

Source: Authors’ calculation based on financial data reported in NGBIRR, OCOB, 2014-15 & 2015-16
Note: NGBIRR report for the full financial year 2015-16 does not provide programme-wise break up of SDWRA expenditure whereas the three quarter report presents the expenditure break-up.

### 6.5 County Level Expenditure on Water Services

Among the 10 selected counties, only Garissa has a separate department to deal with water services. In case of remaining counties, water services are combined with other services into one department, such as agriculture, irrigation, environment and natural resources. Besides, disaggregated data for water services are not available, even from IFMIS in most counties.

However, the present study has analysed the department level data and the findings are presented in their respective county briefs.
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