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Options for Conditional Grants to improve Primary Healthcare Service Delivery

Final Report

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Context:

The World Bank along with the Government of Kenya (GoK) and other donors is financing the Health Sector Services Fund (HSSF). The HSSF has been providing small grants directly to health facility management committees of over 3000 Primary Health Care Facilities (Dispensaries and Health Centers) in Kenya. This is a GoK led initiative to address the challenge of timely availability of operation and maintenance funds to health facilities as several public expenditure reviews identified that funds transferred to erstwhile districts were not reaching the facilities. This initiative builds on successful experiments undertaken in the Coastal region.

These primary care facilities form the backbone of health care delivery in Kenya and the 2013 health care utilization survey has shown that overall utilization of outpatient care in Kenya has increased (from 1.9 visits in 2003 to 3.1 visits in 2013), and the public sector remains the main source of care, especially for the poor. The HSSF becomes more critical with the announcement of new government's policy of free primary care aimed at further improving the access to essential health care. Currently, the Ministry of Health (MoH) is using the HSSF platform to transfer the Kenyan Shilling (KSH) 700 million provided by the National Government to compensate these health facilities for the loss of health revenues.

External evaluations clearly indicate that the HSSF is adding value to the delivery of primary healthcare services in Kenya. An independent Citizen's Report Card exercise of HSSF undertaken by Family Care International (October 2012) in Kitui and Nakuru Counties showed that a majority of the interviewed clients noted overall improvements in the quality of service, cleanliness and reduced waiting time compared to the past one year. A facility survey covering randomly selected health facilities undertaken by the Kenya Institute for Public Policy and Research (KIPPRA) in 2012 has shown that a majority of the sampled facilities received HSSF grants and most of them (98%) had health facility management committees (HFMCs) in place and over half of such committees were elected. Over three fourths of the facilities (77%) disclosed financial information to the public. However, the study identified the need to strengthen financial record keeping at the facility level and the HSSSF

Impact of Devolution on HSSF:

Prior to devolution, a Fund was created at the MoH through a legal notice for pooling GoK and donor monies with oversight provided by the National Health Services Committee. The HSSF grants from this Fund were managed by the secretariat established at the Ministry of Health, which was releasing grants based on plans approved and results confirmed by the District Health Management teams after receiving endorsement by the National Health Services Committee. The MoH was also releasing authorization to incur expenditure, while facilities were sending their utilization reports, which were consolidated at the district level followed by the national level to report back to the Parliament and the World Bank. The accountability ultimately rested with the Fund administrator, the Permanent Secretary (PS) for health. This arrangement worked well as facility staff were national civil servants and therefore accountable to the PS for health.

With the devolution, these arrangements needed to be revised to reflect the new accountability environment. The Counties are now responsible for the delivery of essential health services and facility staff have been seconded to County governments and now report to 47 County Chief Officers of Health.

Options for HSSF funds flow in devolved setting:

Based on the extensive discussions the World Bank Health and Financial Management teams, working closely with the accountable devolution team, consulted with a wide range of stakeholders on how the funds should be managed in future. Finally, a consensus was reached that they should take the form of a “conditional grant” to the Counties. This proposal was arrived at after exhaustive consultations facilitated by the External Resources Department of the Treasury with Commission for Revenue Allocation, Commission for Implementation of Constitution, Council of County Governors and the Accountant General and Budget Supply department.

Considering the context that the HSSF was established to address the challenge of funds that could not reach the primary care facilities, it is proposed that the actual disbursement of the cash should be made as was in the past – directly to the facility bank account. This is the fundamental requirement of World Bank’s financing agreement with the Government of Kenya.

Proposed option for the Conditional Grant:

The summary of the proposed key FM arrangements is as follows:

1. The additional funds will be administered in accordance with the Project Agreement and Project Appraisal document for the Kenya Health Sector Support Project.

2. The funds provided under the project would be treated as conditional grants from the Ministry of Health (MoH) to the Counties, and would be reflected in the MoH budget as a transfer to the 47 counties. The conditions will be: (a) Counties must include these funds in the County Department of Health budget; (b) Counties must approve the annual facility work-plans, which must incorporate all sources of revenue for the facility; and (c) Counties must budget for essential medicines and medical supplies for each rural health facility as per the drawing rights established from time to time.

3. The County Governments will be responsible for triggering the release of the funds based on the approved plans and results in their respective jurisdictions. These funds would be transferred directly from the Project bank account with MoH to the respective health facilities bank accounts upon receiving communication from the County Governments. The first releases will be made on the basis of previous quarter’s achievement of the facility. Subsequent replenishment of funds to the health facilities would only be done

when the relevant County Government is satisfied that the earlier advances have been properly accounted.

4. The additional funds would be included in the budgets of each of the 47 counties as conditional grants.

5. The County Governments would ensure efficient use of funds for intended purposes and monitor the achievement of results by their respective health facilities. This role specifically includes: (a) approving the work-plans from the health facilities and incorporating these in the county annual works plan, as well as the County budget approved by the County Assembly; (b) triggering release of funds to the relevant health facilities, issuing Authority to Incur Expenditures (AIEs) to health facilities; (c) undertaking verification of results following agreed protocols and reporting consolidated results and financial statements of the health facilities, (d) capturing health facility expenditures into IFMIS at the County Treasury level; and (d) dealing with audit queries from the Auditor General and other reviewers.

6. The HSSF funds will be managed in accordance with the Public Finance Management Act 2012, and attendant Regulations. The County Government Accounting Officer will be responsible for accounting and financial reporting of the HSSF funds, with copies of quarterly and annual reports to the Ministry of Health, National Treasury and Controller of Budget.

7. The audit of the HSSF funds will be conducted by the Auditor General or private auditors as maybe approved by the Auditor General in consultation with the World Bank. Questioned costs shall be recoverable from the County and may result in withholding of subsequent disbursements to the concerned County.

The Council of Governors will coordinate the implementation of the Program; assist in resolving any operational challenges that may arise by engaging with other stake-holders including the National Treasury, Commission for Revenue Allocation,

Advantages of the proposed option:

- Counties will be accountable for approving the plans that determine how the HSSF funds will be used, which is in line with the direct management control of the facility staff, and their constitutional responsibility for delivering primary health care services.
- Facilities would have a single plan and budget that incorporates all sources of funding (from HSFF, from County Government and from other donors as well as CDF/LATIF). This helps in integrated planning and accounting for all resources.
- Over time, conditions could be introduced on increasing county share with matching funds, which will transform from the predominant dependence from the national government to increased County responsibility to fund all inputs required for delivering

primary health care. This addresses the sustainability after donor funding comes to an end.

Consistency with the legal and Public Financial Management Act

The HSSF funds would be budgeted at both national and County levels. While the national budget shows the HSSF as a conditional grant, it will be shown in the County budget as an Appropriation in Aid (A-in A). The A-in-A (funds which are not deposited in to the County revenue fund) are permitted in Article 207 of the constitution if "reasonably excluded by an Act of Parliament". The HSSF regulations do not contravene the PFM Act in any way as it is a public fund established under the PFM Act that is already in existence and not a newly created one that would need approval of Parliament. That would only arise if the fund was existing for the first time. For HSSF not to exist, it would need to be wound up a process which requires approval of the National Assembly. The Auditor General would also have to carry out an audit. All this has currently not happened or even been initiated by the Cabinet Secretary.

The PFM act (an Act of Parliament) permits A-in-A under Section 109 (2) (b) if funds "may in accordance with other legislation, this Act of County legislation, be retained by the county government entity, which received it for the purpose of defraying its expenses". The arrangement proposed would therefore be lawful provided the funds appear in the county budget estimates and in the county appropriation act (which would qualify as "county legislation" under this provision).

Secondly section 50(7) of the PFM Act further allows for payment of loan proceeds into ANY OTHER PUBLIC FUND ESTABLISHED BY THE NATIONAL GOVERNMENT OR ITS ENTITIES IN ACCORDANCE WITH REGULATIONS. The HSSF is a national public fund, and has been established by the cabinet secretary in accordance with the HSSF Regulations under the PFM Act.