development initiatives

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Kenya's Covid-19 budget: Funding for health and welfare

report

Contents

Executive summary

As the impact of Covid-19 continues to escalate, accountable public budgets that are aligned to the needs of people living in poverty and vulnerable populations are more crucial than ever. In the 2020/21 fiscal year, Kenya will not only be dealing with the social, health and economic effects of Covid-19 and the impacts of the government response, but will also be upscaling the universal health coverage (UHC) programme. UHC is part of the national government's priorities for the third medium-term plan, which covers the period 2018 to 2022. The first phase (pilot) of the UHC programme covered four of Kenya's 47 counties. In 2020/21, the government intends to roll out the programme in the remaining 43 counties. This paper presents an analysis of Kenya's national government health and social protection budget for the 2020/21 fiscal year.

Key findings

- Kenya's economic growth is expected to reduce significantly from 5.4% in 2019 to 1.5% in 2020, due to Covid-19 pandemic. This reduction is expected to affect revenue collection negatively in 2020/21. The level of household vulnerability is expected to increase as the social and economic challenges stemming from Covid-19 pandemic and the response measures escalate.
- The national government has earmarked KES1,752 billion[1] for its ministries, departments and agencies (MDAs) – a decrease of 6.8% compared with the 2019/20 allocation. Additionally, allocation to county governments, has reduced by 2.3% to KES370 billion.
- While the budgets for over half of the MDAs have reduced, allocation to the Ministry of Health has increased by 10.3% to KES114 billion compared with 2019/20. Additionally, the share of the Ministry of Health in the total budget for MDAs has increased from 5.5% in 2019/20 to 6.5% in 2020/21.
- The allocation to the Ministry of Health will go mainly to the National Referral and Specialized Services Programme and the Health Policy, Standards and Regulations Programme that account for 37.2% and 34.4% of the national government health budget respectively.
- KES2.7 billion has also been earmarked for the Kenya Covid-19 Emergency Response Project to facilitate Covid-19 testing and treatment. Allocation to this project has remained unchanged compared with the 2019/20 second supplementary budget.
- Conservative funding gap estimates do not take into account the impact of Covid-19 as they were completed in 2019 before the outbreak of the pandemic. Such estimates suggest that the Ministry of Health has a funding gap of KES95.3 billion. With Covid-19, the actual funding gap is likely to be significantly higher.

- In April, the 2019/20 budget was revised, leading to an increase in allocations to the National Safety Net Programme (NSNP) by KES8.7 billion i.e. from KES30.2 billion to KES38.8 billion. However, this increase has not been sustained in the 2020/21 budget as funding to the NSNP has reduced by KES10 billion to KES28.8 billion, despite the possible escalation of needs during Covid-19 pandemic.
- By contrast, allocations to the Hunger Safety Net Programme has increased by KES287 million (7%) to KES4.4 billion. This increase however, does not compensate for the reduction in allocation to the NSNP.

Recommendations for the government of Kenya

- Planned spending on Covid-19 response should prioritise expansion of quarantine centres, availability of equipment such as ventilators, and personal protective equipment to ensure access to treatment/care, as well as provision of water, sanitation and hygiene services, and masks in high risk informal urban settlement which are home to the majority of vulnerable people and households living in poverty.
- Allocate resources to implement measures aimed at ensuring continued access to treatment/care services for all non-communicable diseases as patients with underlying conditions are more vulnerable to Covid-19. Furthermore, investment in NCDs control and prevention is important for poverty reduction since households living in poverty with a member suffering from a NCD may be pushed further into poverty due to catastrophic health expenditure.
- Apart from supporting level 4 and 5 hospitals to access modern diagnostic and treatment equipment through the Managed Equipment Services, the national government should also consider allocating resources to equip dispensaries and health centres with adequate medical equipment.
- The scope of the emergency relief programme financed through the Covid-19 Emergency Response Fund should be expanded to include vulnerable rural households. While the prevalence of Covid-19 is currently lower in rural areas compared with urban areas, rural households living in poverty who depend on agriculture and remittances are likely to become more vulnerable due to limited access to markets for their produce and a reduction in remittance inflows during the pandemic.
- The national government should sustain increased allocation to the National Safety Net Programme to ensure all vulnerable populations are supported. More households are likely to become vulnerable, as the social and economic effects of Covid-19 continue to escalate, with possible adverse medium and long-term impacts on livelihoods and household wellbeing.

The new Covid-19 context

Kenya's 2020/21 national budget has been prepared at a time when the country is grappling with the health, social and economic impacts of the Covid-19 pandemic and containment measures. Lives have been lost and human suffering continues as a result of the infection, while containment measures within borders and elsewhere have led to loss of jobs/livelihoods and disruption of supply chains.

Apart from curbing the escalation of Covid-19 cases, the government will be scaling up implementation of the Universal Health Coverage (UHC) programme to reach all the 47 counties.[2] The first phase (pilot) of the UHC programme covered only four counties. Accordingly, funding the health sector and social protection programmes will play a critical role in expanding the coverage of health services and providing financial support/assistance to vulnerable households to meet basic needs during the pandemic.

Covid-19 pandemic is expected to significantly affect economic growth, with implications for revenue collection and government expenditure in 2020/21. Kenya's economic growth is projected to reduce from 5.4% in 2019 to 1.5% in 2020 due to disruption of global supply chains, low demand for Kenya's key exports such as horticulture, reduced tourism earnings, slowdown in remittance inflows and the measures taken by the government to curb the spread of the virus such as night curfew and closure of schools.[3]

National and county-level spending on health care

The structure of healthcare funding in Kenya

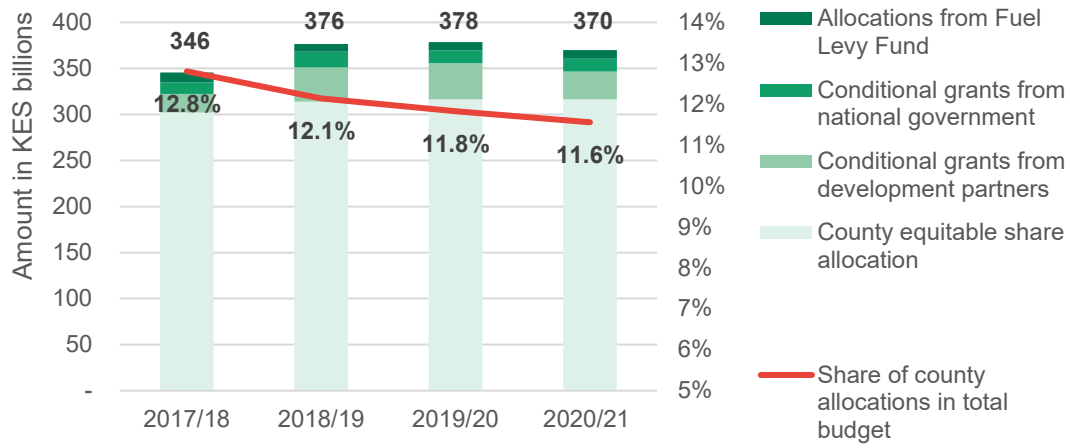
Kenya adopted fiscal decentralisation following the official publication of the Constitution of Kenya in 2010 and the establishment of county governments in 2013.[4] Decentralisation was introduced to enhance the delivery of public services through involvement of citizens in decision-making at the local level, improved accountability and more efficient allocation of funding. In the health sector, the national government is responsible for development of health policy, management of national referral hospitals, capacity building and providing technical assistance to counties. County governments, on the other hand, are responsible for delivery of primary and secondary health care using funds disbursed from the national government and county own-source revenue.

An analysis of Kenyan healthcare funding in the context of Covid-19 needs to consider public spending at both national and county level. Analysis presented in this report focuses on the national government budget as a first step towards understanding the planned public invest in healthcare in 2020/21. While funding is overseen at the county level for some aspects of the healthcare system, the Kenyan national government continues to control a significant share of total health spending. For instance, the national government accounted for an estimated 44% of total health spending in the fiscal year 2018/19. The national government also oversees a number of important programmes aimed at enhancing access to health care, as explained in subsequent sections of this report. Accordingly, an analysis of how national government resources are being allocated is a useful tool to support and inform discussions with decision-makers in order to ensure national health programmes are adequately resourced.

Recent trends in healthcare budget allocation

In the fiscal year 2020/21, budgetary allocations to county governments are due to fall by 2.3% to KES370 billion (11.6% of the total budget of the government of Kenya) compared with 2019/20 (Figure 1). The allocation consists of conditional grants amounting to KES16.7 billion – an increase of 8.2% compared with 2019/20. These funds are earmarked for leasing medical equipment; support for level 5 (county referral) hospitals; compensation for user fees foregone by rural health centres and dispensaries; and support for universal health coverage (UHC). In order to implement other healthcare activities (such as expanding health facilities and purchasing medical supplies), counties are expected to allocate additional resources to the health sector, depending on their priorities.

Figure 1: Budgetary allocations to county governments, 2017/18 to 2020/21

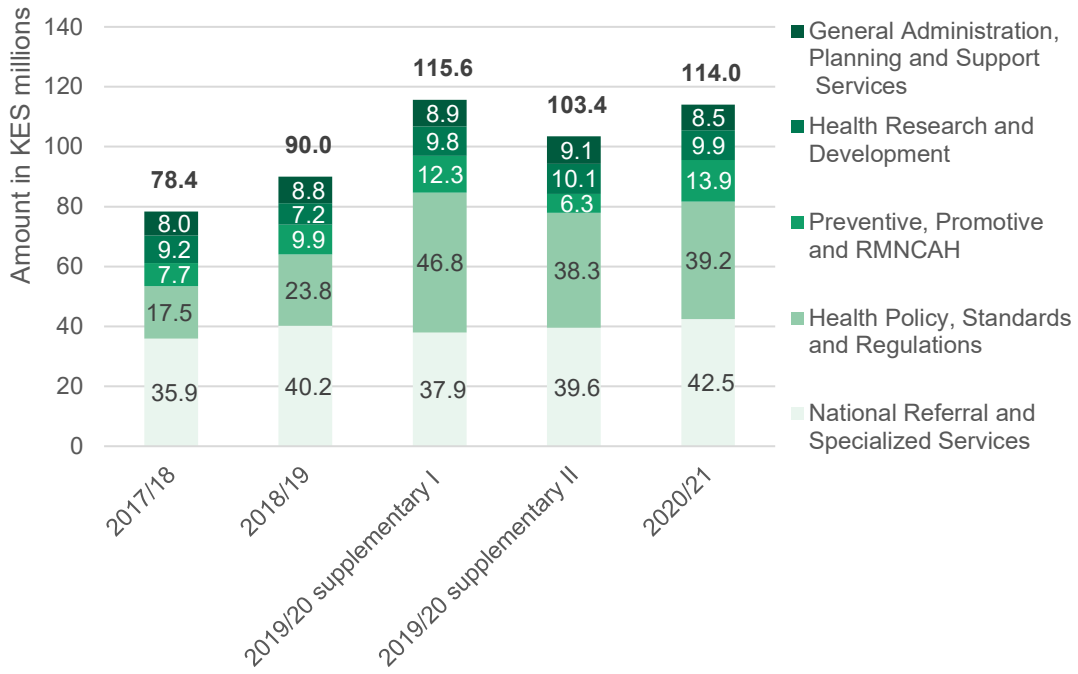


Source: Development Initiatives (DI) based on national government budget documents, 2017/18 to 2020/21.

The 2020/21 national government health budget increased by 10.3% to KES114 billion compared with the 2019/20 second supplementary budget prepared in April 2020 (Figure 2). However, the allocation is KES1.59 billion lower than the pre-Covid-19-pandemic health budget, which stood at KES115.6 billion in the 2019/20 first supplementary budget made in December 2019 (Figure 2).

Resource requirement estimates made in 2019 showed that KES209.4 billion is needed to implement national government health programmes in 2020/21. While these estimates are conservative since they do not consider the impact of Covid-19, they indicate a huge funding gap (KES95.3 billion). The actual funding gap is likely to be much higher if the health needs stemming from the Covid-19 pandemic are taken into account.

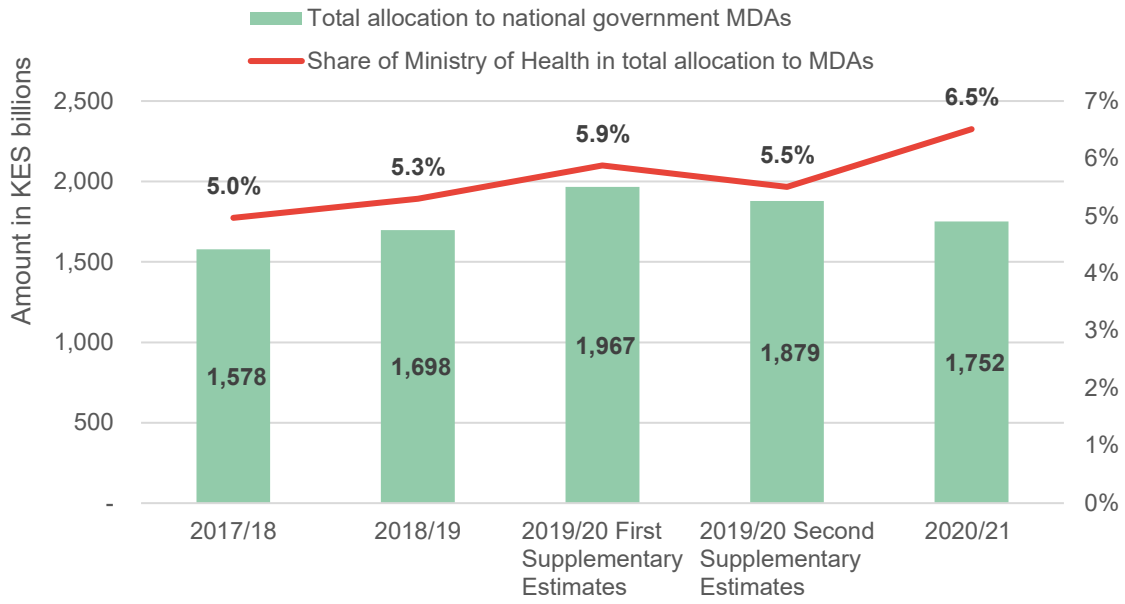
Figure 2: Budgetary allocations to the Ministry of Health, 2017/18 to 2020/21[5]



Source: Development Initiatives based on national government budget documents, 2017/18 to 2020/21.
Note: RMNCAH = Reproductive, Maternal, Neo-natal, Child and Adolescent Health.

- In 2020/21, the funds earmarked for the national government's ministries, departments and agencies[6] (MDAs) have been reduced by 6.8% compared with the 2019/20 second supplementary budget (Figure 3). Accordingly, the budgets for over half (57.2%) of the MDAs have been reduced. Nonetheless, the share of funding allocated to the Ministry of Health as a proportion of the total allocation to MDAs has increased to 6.5% (Figure 3).
- The next section of this paper goes on to analyse funding allocated to three national health programmes that are implemented by the Ministry of Health and the budgetary impact of challenges posed by the Covid-19 pandemic.

Figure 3: Ministry of Health budgets as a proportion of total MDA allocation, 2017/18 to 2020/21



Source: Development Initiatives based on national government budget documents, 2017/18 to 2020/21.
Note: MDAs = ministries, departments and agencies.

Budgetary allocations to health programmes

This section analyses the allocation of budgets to various subprogrammes under the following three national health programmes implemented by the Ministry of Health and analyses how budgetary decisions in these areas may impact on Kenya's response to Covid-19:

- Preventive, Promotive and Reproductive, Maternal, Neo-natal, Child and Adolescent Health Services
- National Referral and Specialised Services
- Health Policy, Standards and Regulations.

Preventive, Promotive and Reproductive, Maternal, Neo-natal, Child and Adolescent Health Services

This section focuses on four subprogrammes under the Preventive, Promotive and Reproductive, Maternal, Neo-natal, Child and Adolescent Health Services programme: Disease Surveillance and Response (focusing on emergency response and contingency planning for Covid-19); Non-communicable Disease Prevention and Control; Communicable Disease Control; and Reproductive, Maternal, Neo-natal, Child and Adolescent Health (RMNCAH). Each subprogramme is being financially impacted by Covid-19, through new pressures on resources or a reduction or increase in budget for 2020/21.

Disease Surveillance and Response

The national government created a Covid-19 contingency plan to facilitate preparedness, early detection and response to the pandemic. The cost of implementing the plan was estimated at US$82 million[7] (KES8.7 billion). Of this costed need, 61% was funded by the World Bank (US$50 million).[8] In May 2020, the International Monetary Fund also approved the disbursement of US$739 million (KES78.3 billion) to Kenya under the Rapid Credit Facility to enable the country to cover its urgent balance of payment needs resulting from the pandemic.[9] While increased borrowing will enable the government to fund its response to the pandemic, it will also increase the public debt burden, which crossed the KES6 trillion mark in December 2019. Public debt is a concern in Kenya; in 2019 the ratio of debt service to revenue stood at 45.2%, which is significantly above the recommended threshold of 30%, and is projected to increase to 47.9% in 2022.[10]

In the 2019/20 second supplementary budget estimates, the Disease Surveillance and Response subprogramme was added to the budget to finance the Kenya Covid-19 Emergency Response Project. This subprogramme will receive KES2.7 billion in 2020/21,

which is the same as the amount allocated to it in the 2019/20 second supplementary budget. The allocation will be used for Covid-19 testing and treatment.

Key challenges to the response to Covid-19 pandemic include limited availability of testing kits, personal protective equipment for health personnel, and equipment such as ventilators. In urban informal settlements which are home to the majority of vulnerable people and households living in poverty, curbing the spread of Covid-19 is constrained by limited availability of water and sanitation services and crowded living conditions that present challenges for observing social distancing guidelines. Additionally, mass testing in informal settlements that have become Covid-19 hotspots is slowed by stigma and fear of testing positive. Allocating resources to address these challenges will be critical in the response to the Covid-19 pandemic.

Non-communicable Disease Prevention and Control

Non-communicable diseases (NCDs) account for over half of total hospital admissions and slightly more than half (55%) of hospital deaths in Kenya.[11] The major NCDs in the country include cardiovascular conditions, cancer, diabetes, chronic respiratory diseases, and mental illnesses. Investing in the prevention and control of NCDs is crucial for effective response to the Covid-19 pandemic, as people living with NCDs may be more vulnerable.[12] Covid-19 response measures can also have significant impacts on people living with NCDs. For instance, measures such as quarantine can undermine management of NCD behavioural risk factors such as unhealthy diet and physical inactivity.[13] Increased demand for specialised treatment during the Covid-19 pandemic can also lead to disruption of treatment for NCDs due to the limited availability of facilities such as intensive care units. Furthermore, the health condition of NCD patients can worsen due to stressful situations stemming from economic hardship, restricted movement, and disruption of normal health behaviour during the pandemic.[14] Accordingly, Covid-19 response measures should include initiatives that promote prevention and management of NCD risks.

Funds earmarked for the NCD Prevention and Control subprogramme in 2020/21 amount to KES496.7 million, an increase of 17.5% compared with 2019/20. The entire allocation will be used for treatment/management of cancer through screening for cervical cancer, establishment of cancer registries and establishment of regional cancer centres. While enhancing access to cancer services is laudable, it is important that the national government allocate resources for specific interventions aimed at ensuring continued access to treatment for all NCDs during the Covid-19 pandemic. If treatment and management of some NCDs is not funded, people with such diseases may be affected disproportionately by Covid-19 due to their underlying health conditions. Additionally, NCDs can push households deeper into poverty through catastrophic health expenditure or loss of a primary wage earner.[15] Accordingly, investment in measures aimed at enhancing NCD prevention and control is key to eradication of poverty in Kenya.

Communicable Disease Control

Communicable diseases account for the highest proportion of disease burden in Kenya, with HIV/Aids, malaria and tuberculosis (TB) providing the highest burden.[16] According to the Kenya Harmonized Health Facility Assessment (KHFA) in 2018, about three in five health facilities in Kenya have the capacity or are ready to provide TB, malaria or HIV

care and support services. While three in four health facilities in Kenya are ready to provide HIV counselling and testing, only one in four health facilities is ready to provide antiretroviral services.[17] Additionally, most county health facilities still do not have adequate capacity for treatment of Covid-19.

In 2020/21, KES6.2 billion is earmarked for the Communicable Disease Control subprogramme – a 41% increase compared with 2019/20. The funds will be used to strengthen public health emergency and disaster management. They will also be used for health control at ports to prevent cross-border spread of infectious diseases such as Covid-19. Additionally, the funds will facilitate prevention and treatment of major communicable diseases such as malaria, TB and HIV through training of health workers to ensure improved disease surveillance, procurement of medicines and awareness creation. Despite the increase in allocation, the budget for communicable disease control will meet only a third of the resource requirement for 2020/21.

Reproductive, Maternal, Neo-natal, Child and Adolescent Health

Kenya has made important progress in enhancing access to reproductive, maternal, neo-natal, child and adolescent health (RMNCAH) services, but significant access gaps remain. The infant mortality rate fell from 52 in 1,000 births in 2008–2009[18] to 39 in 1,000 births in 2014, while the under-five mortality rate fell from 74 in 1,000 births in 2008 to 52 in 1,000 births in 2014.[19] The total fertility rate – the average "number of live births a woman would have if she were subject to the current age-specific fertility rates throughout her reproductive period (age 15–49)"[20] – in Kenya fell from 4.6 in 2008 to 3.9 births per woman in 2014. However, teenage pregnancy remains a major concern given that one in five adolescents have started childbearing[21] and just under half of women of reproductive age have access to modern contraceptives.[22] In Kenya, the fertility rate among the lowest wealth quantile stands at 6.4 births per woman, significantly higher than the national average of 3.9 births per woman.[23] Early childbearing and short intervals between births not only lead to health risks, but also deny young women the opportunity to access education that could lead to employment which enables them to escape poverty. Additionally, low levels of access to family planning services can lead to large families.[24] This can perpetuate poverty by straining limited household resources, leading to reduced ability to save and invest and to access basic services such as healthcare, education, water and sanitation.

The budget allocated to the RMNCAH subprogramme in 2020/21 has increased threefold to KES4.3 billion compared with the 2019/20 allocation. As the number of Covid-19 cases increases, access to RMNCAH services may be negatively affected as health facilities continue to grapple with limited capacity to meet demand. Furthermore, disruptions in global supply chains may affect availability of family-planning commodities and contraceptives. This could be compounded by measures taken by the national government to prevent the spread of Covid-19, such as the suspension of community family-planning outreach activities.[25] The significant increase in allocation to the RMNCAH subprogramme, therefore, is expected to ensure continued availability of RMNCAH services during Covid-19 pandemic and as the country implements UHC, to prevent a reversal of the gains that have already been achieved.

National Referral and Specialized Services

As Kenya responds to the Covid-19 pandemic, referrals, specialised treatment, equipment and diagnostics will be required to meet the needs of patients with advanced conditions. This section analyses the budget allocated to four subprogrammes under the National Referral and Specialized Services programme: National Referral Services; Specialized Medical Equipment; Health Products and Technologies; and Forensic and Diagnostics (including blood transfusion services).

National Referral Services

The kind of treatment required for patients with advanced symptoms of Covid-19 may not be adequately available in Kenya's lower-level health facilities such as health centres. As a result, the national referral system will be critical in allowing care providers to leverage resources beyond those available locally in order to ensure comprehensive management of patients' health needs.

In 2020/21, the National Referral Services subprogramme has been allocated KES29.8 billion, equivalent to 70.2% of the budget for the National Referral and Specialized Services programme. The allocation has increased by just 1.6% compared with the 2019/20 budget. The funds will facilitate provision of specialised health services in national referral hospitals through measures such as development of infrastructure and procurement of equipment in the beneficiary hospitals. Although the allocation will meet 79.8% of the resource requirement for 2020/21, the funding gap (KES7.6 billion) is significant and may have negative implications for implementation of UHC and availability of specialised health services as the country responds to the Covid-19 pandemic.

Specialized Medical Equipment

Every health facility in Kenya is required to have the basic equipment required for service delivery. However, in 2018 the KHFA showed that nationally, the mean availability of basic equipment was 77%, with only 24% of health facilities having all the necessary equipment. Furthermore, the KHFA 2018 showed that, while half of secondary and tertiary hospitals had all the basic equipment, only 17% of dispensaries had these. Moreover, only 19% of rural health facilities had all the basic equipment compared with a third of facilities in urban areas.[26] Inadequate equipment, as mentioned earlier, has been reported as one of the key challenges in the response to the Covid-19 pandemic in Kenya.

The budget for the Specialized Medical Equipment subprogramme in 2020/21 is KES6.2 billion, which is the same as the allocation in 2019/20. The national government intends to use this budget to equip 120 hospitals with specialised medical equipment through the Managed Equipment Service. This initiative is aimed at enhancing access to diagnostic services and specialised treatment, which are crucial for the response to Covid-19 and the achievement of UHC. Currently, the Managed Equipment Service covers only two county referral hospitals per county.[27] As Kenya implements UHC, resources have to be found to equip lower-level hospitals (levels 2 and 3 – dispensaries and health centres) which, according to the KHFA 2018, have low availability of basic medical equipment, despite their key role in providing primary health care.

Health Products and Technologies

The effectiveness of the response to Covid-19 and the scaling up of UHC will depend, in part on the availability of adequate medical supplies. On the day of the KHFA 2018 survey, none of the sampled health facilities had all the essential medicines. Dispensaries and medical clinics, which offer primary health care, are more likely to lack essential medicines than secondary and tertiary hospitals.[28]

The Health Products and Technologies subprogramme has been allocated KES4.1 billion as part of 2020/21 budgetary planning, which is an increase of 22.8% from 2019/20. The allocation will support the functions of the Kenya Medical Supplies Authority, which is responsible for supplying quality and affordable essential medical commodities to health facilities in Kenya through a medical supply-chain management system. The increase in budgetary allocation is expected to alleviate the resource constraints that may hinder access to medical supplies during the Covid-19 pandemic and implementation of UHC.

Forensic and Diagnostics

Blood transfusion is an important aspect of everyday clinical practice as it provides life-saving therapeutic benefits to patients. However, in Kenya the availability of blood transfusion services remains a major concern. Nationally, only 7% of health facilities provide blood transfusion services, based on KHFA 2018. In the period 2016/17 to 2018/19, the national government was not able to meet the demand for blood and blood products, in part due to underfunding.[29] Availability of blood and blood products is likely to be affected during the Covid-19 pandemic since restricted movement may "limit the ability of blood donors to attend donation sessions and prevent blood collection teams from visiting areas associated with infection clusters".[30] Accordingly, measures to ensure continued access to blood and blood products were incorporated into Kenya's Covid-19 contingency plan. Specifically, of the US$50 million credit obtained from the World Bank to fund the Covid-19 contingency plan, US$10 million (KES1.1 billion) was earmarked for strengthening the capacity of the Kenya National Blood Transfusion Service to provide safe blood and blood products during the pandemic.

In the 2020/21 budget estimates, the allocation to the Forensic and Diagnostics subprogramme increased nearly fourfold to KES2.3 billion compared with 2019/20. The allocation will be used for a number of activities including provision of pathology services, safe blood and blood products; construction of trauma treatment health facilities; training health workers on medical waste management; and improving clinical laboratories and radiology services.

Compared with 2019/20, budgetary allocations to the Kenya National Blood Transfusion Service have been reduced by 15.5% to KES225 million, equivalent to 9.7% of the allocation to the Forensic and Diagnostics subprogramme's budget. A key challenge for the sustainability of blood transfusion services in Kenya has been underfunding and over reliance on donor support. This poses risks to availability of blood transfusion services when donor funding ends or is reduced. A strategy is required to transition away from reliance on donors toward national government funding which will ensure the demand for blood transfusion services are met as the country implements UHC.

Health Policy, Standards and Regulations

This section covers budgetary allocations to two subprogrammes within the Health Policy Standards and Regulations programme: Health Policy Planning and Financing, and Social Protection in Health.

Health Policy Planning and Financing

Financial constraint is one of the main barriers to equitable access to health care in Kenya. Out-of-pocket spending as a proportion of total health expenditure stands at 27.7%.[31] This type of spending places significant financial burden on poor and vulnerable households and exacerbates the risk of catastrophic health expenditure, which pushes over half a million Kenyans into poverty annually.[32] Health insurance coverage increased from 17% in 2013 to 19.9% in 2018 based on the Kenya Household and Health Expenditure and Utilization Survey 2018, but significant geographic disparities exist. While 30% of the urban population has some form of health insurance, only 14% of the rural population has health insurance. What is more, only 2.9% of the poorest 20% of the population has health insurance compared with 42% of the wealthiest. To eliminate the financial barriers to treatment, the national government has undertaken to pay the Covid-19 testing and quarantine costs in public health facilities. Additionally, the national government has committed to addressing financial barriers to access to health care through measures such as expanding health insurance coverage to achieve UHC.

The National Hospital Insurance Fund (NHIF) is the main provider of health insurance, through which the government intends to increase insurance coverage. Challenges that need to be overcome in order to expand coverage include enrolling and retaining informal sector members, which can be problematic due to difficulties in collecting premiums and creating demand in the informal sector. Furthermore, resources for subsidising premiums for those living in poverty have to be found to achieve universal coverage.[33] The proportional contribution pattern adopted by NHIF is also regressive, as lower-income earners pay a higher share of their income. For instance, a person who earns KES24,999 contributes KES750, which is equivalent to 3% of their income. Meanwhile, a person earning KES100,000 contributes KES1,700, which is equivalent to only 1.7% of their income. Accordingly, the government should restructure NHIF contributions to make them progressive rather than regressive. Additionally, the government should encourage employers to provide a matching contribution as a top-up to the NHIF contributions made by employees annually to increase the resources available for paying for health care. This will require adequate consultations with employers to ensure buy-in and a review of the National Hospital Insurance Fund Act to provide for contributions by employers.

Funds earmarked for the Health Policy, Standards and Regulations programme have increased by 2.2% to KES39.2 billion compared with 2019/20. Of this, KES23 billion (58.6%) will go to Health Policy, Planning and Financing subprogramme – a reduction of 7.9% compared with the 2019/20 budget. The allocation will facilitate implementation of initiatives aimed at rolling out UHC, which have been allocated KES18.8 billion.

KES4.1 billion (the remainder of funds earmarked for the Health Policy, Standards and Regulations programme) will go to the Free Maternity programme. The proportion of deliveries attended by skilled health workers stood at 65% in 2018/19 and is expected to increase to 72% in 2020/21. It is unclear how the target will be achieved given that funding to the Free Maternity programme has reduced by 4.7% compared with allocation in 2018/19 and has remained unchanged compared with the 2019/20 allocation.

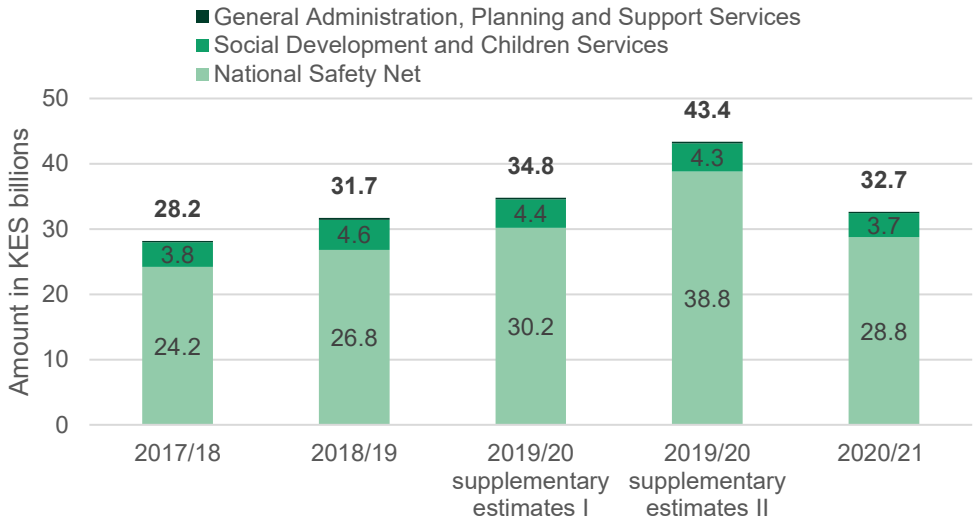
Social Protection in Health

The budget for the Social Protection in Health subprogramme in 2020/21 is KES16 billion, an increase of 27.1% from the 2019/20 budget and equivalent to 40.7% of the Health Policy, Standards and Regulations programme's budget. The increase is in line with the national government commitment to address the financial barriers to access to health care as the funds will be used to implement UHC, including providing health insurance subsidy to vulnerable households and free primary health care.

Budgetary allocations to social protection programmes

Improving the health and wellbeing of Kenyans during the Covid-19 pandemic requires not only availability of quality, accessible and affordable health services, but also social protection programmes that support those living in poverty. Initiatives such as well targeted cash transfer programmes can help vulnerable groups such as people with disabilities, older persons and households with vulnerable children to access food, water, sanitation and hygiene services during the pandemic. The national government has established various social protection programmes that are implemented by the State Department for Social Protection and the State Department for Development of the Arid and Semi-Arid Lands.

Figure 4: Budgetary allocations to the State Department for Social Protection, 2017/18 to 2020/21



Source: Development Initiatives based on national government budget documents, 2017/18 to 2020/21.

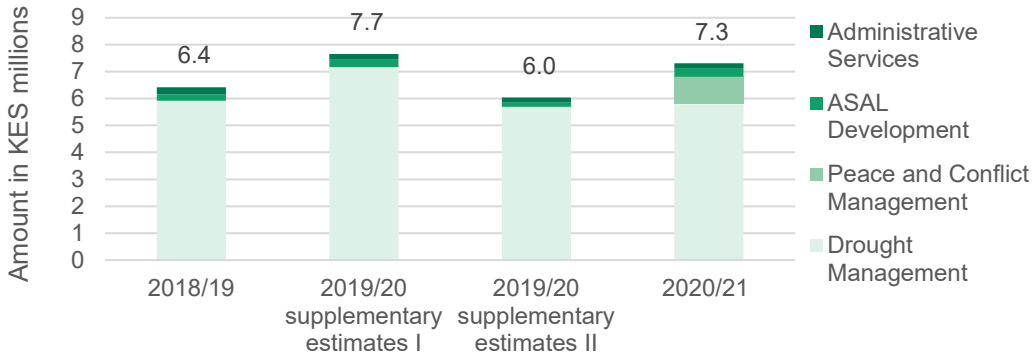
Budgetary allocations to the State Department for Social Protection have been reduced by 24.7% to KES32.7 billion in 2020/21 compared with the 2019/20 second supplementary budget (Figure 4). The share of the department's budget in total allocation to MDAs has also reduced marginally from 2.3% in 2019/20 to 1.9% in 2020/21. The bulk

of the allocation to the department (88.1% or KES28.8 million) is earmarked for the National Safety Net programme (NSNP). The NSNP provides regular cash transfers to households with orphans and vulnerable children, older persons, and people with severe disabilities. Unlike the previous fiscal years, the 2020/21 disaggregated data on how the allocation to the NSNP will be shared among households with orphans and vulnerable children, older persons, and people with severe disabilities has not been included in the budget documents.

It is important to note that in April 2020, the 2019/20 budget for the NSNP was revised upwards from KES30.2 billion to KES38.3 billion (Figure 4) – a 28.7% increase to ensure availability of funds for social protection during the Covid-19 pandemic. However, the increase is a short-term measure as it has not been sustained in the 2020/21 budget. In particular, the budget for the NSNP for the 2020/21 fiscal year has reduced by 25.9% to KES28.8 billion, which is slightly below the pre-Covid-19 allocation of KES30.2 billion. The effects of Covid-19 may be long-term, especially among households living in poverty that are adopting coping strategies with potential long-term adverse effects on household resilience such as selling productive assets or reducing investment in human capital.[34] Additionally, long school closure and disruption of school feeding programmes may negatively affect education and health/nutrition outcomes for children from households living in poverty, thereby diminishing their chances of accessing decent jobs and earning in adulthood. Slow economic recovery is likely to reduce wage employment opportunities over the medium, thereby perpetuating household vulnerability. This calls for increased allocation of resources to social protection programmes such as the NSNP to ensure all vulnerable households are supported to meet their basic needs.

The national government has also established a temporary Covid-19 Emergency Response Fund[35] to mobilise resources for curbing the spread of Covid-19 and responding to its social and economic effects. One of the purposes of the fund is to provide emergency relief to the most vulnerable, older, and people living in poverty in urban informal settlements. However, it is not clear how much will be allocated to provision of emergency relief and whether the resources mobilised will be adequate given the fund's reliance on private and public donations. Furthermore, the social and economic impacts of Covid-19 may last beyond the lifetime of the fund. Importantly, households living in rural areas have not been identified in the fund's regulations as part of the vulnerable groups who are to be supported through emergency relief. While the prevalence of Covid-19 is currently lower in rural than urban areas, rural communities who depend on agricultural production are likely to become vulnerable due to limited access to markets and reduced demand for their produce during the pandemic. Also, rural households with older persons, orphans and vulnerable children who depend on remittances from urban areas and the diaspora may become more vulnerable as remittance inflows reduce during the pandemic.

Figure 5: Budgetary allocations to the State Department for Development of Arid and Semi-Arid Lands (ASAL), 2017/18 to 2020/21



Source: Development Initiatives based on national government budget documents, 2018/19 to 2020/21.

Allocation to the State Department for Development of Arid and Semi-Arid Lands has increased by 20.9% to KES7.3 billion compared with the 2019/20 budget. The share of the department's budget in the total allocation to MDAs has increased from 0.3% in 2019/20 to 0.4% in 2020/21. The Hunger Safety Net Programme (HSNP) is the main beneficiary of the allocation, as it will receive KES4.4 billion, equivalent to 60% of the department's budget. The HSNP provides unconditional cash transfers to households in the four poorest arid counties namely, Turkana, Wajir, Mandera and Marsabit to ensure access to food. Compared with 2019/20, the budget for the HSNP has increased by 7%. This increase, however, does not compensate for the KES10 billion reduction in allocation to the NSNP. Additionally, while the NSNP covers the entire country, HSNP covers only four counties.

By the time Kenya recorded its first Covid-19 case, livelihoods and food security in the four counties covered by the HSNP were already under threat due to desert locust invasion. Escalation of Covid-19 cases may worsen food insecurity through disruption of food supply-chains and livelihoods. Accordingly, the increase in allocation to the HSNP is expected to play a key role in ensuring access to food among vulnerable households in the beneficiary counties during the pandemic.

Conclusion and recommendations

Decisions around budgetary allocation to both health and social protection programmes for 2020/21 will have a significant impact on the extent and effectiveness of Kenya's response to the Covid-19 pandemic, and the country's ambitions of achieving UHC. In 2020/21, the Ministry of Health will have a slightly lower budget compared with the 2019/20 pre-Covid-19 allocation/first supplementary budget. Nonetheless, a number of health programmes and subprogrammes have seen an increase in allocation compared with the 2019/20 second supplementary budget in which the Ministry of Health's budget was reduced by KES12 billion. Furthermore, a specific budget line has been added to facilitate response to the Covid-19 pandemic.

In the social protection sector, allocations to the HSNP have increased to enable households in the beneficiary counties to access food. Allocations to the NSNP, increased significantly (by KES8.6 billion) in the 2019/20 second supplementary budget to provide support to vulnerable households with orphans and vulnerable children, older persons, and people with severe disabilities during the Covid-19 pandemic. However, the increase has not been sustained, leading to a reduction in allocation to the NSNP by KES10 billion in 2020/21, despite the possible escalation of needs as Covid-19 cases continue to increase and containment measures such as movement restrictions affect livelihoods.

While raising adequate funds remains a significant challenge in 2020/21, the government should also work towards improving revenue generation over the medium term as economic growth rebounds, in order to provide health care and social protection to vulnerable households.

Recommendations for the government of Kenya

- Prioritise expansion of Covid-19 quarantine centres, availability of equipment such as ventilators, and personal protective equipment to ensure access to treatment and care.

- Prioritise provision of water, sanitation and hygiene services, and masks in high-risk informal urban settlements, which are home to the majority of vulnerable households and those living in poverty, in order to reduce the spread of Covid-19.

- Support spending on Covid-19 prevention and mitigation plans with awareness creation to reduce the stigma and fear that prevent residents of informal

settlements that have been marked as hotspots from participating in free mass testing for Covid-19.

- Allocate resources that support continued access to treatment and care services for all NCDs. This is important because patients with underlying conditions are more vulnerable to Covid-19 and low-income households with a member suffering from a NCD may be pushed further into poverty due to catastrophic health expenditure or loss of a primary wage earner. The current allocations are earmarked for cancer treatment and management only.

- Allocate resources to equip dispensaries and health centres with adequate medical equipment. The Kenya Harmonized Health Facility Assessment survey, 2018 showed that dispensaries and health centres have significantly low availability of basic equipment despite their key role in provision of primary health care.

- Expand the scope of the emergency relief programme financed through the Covid-19 Emergency Response Fund to include vulnerable rural households. While the prevalence of Covid-19 is currently lower in rural areas compared with urban areas, rural households living in poverty who depend on agriculture and remittances are likely to become more vulnerable due to limited access to markets for their produce and a reduction in remittance inflows during the pandemic.

- Sustain increased allocation to the National Safety Net Programme to ensure all vulnerable populations are supported. More households are likely to become vulnerable, as the social and economic effects of Covid-19 continue to escalate, with possible adverse medium and long-term impacts on livelihoods and household wellbeing.

Notes

[1] This excludes allocation to the Judiciary, Parliament, Consolidated Fund Services and county governments.

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[3] World Bank Group, 2020. Turbulent times for growth in Kenya: Policy options during the Covid-19 pandemic. Kenya economic update. Available at: https://openknowledge.worldbank.org/bitstream/handle/10986/33673/Kenya-Economic-Update-Turbulent-Times-for-Growth-in-Kenya-Policy-Options-during-the-Covid-19-Pandemic.pdf?sequence=1&isAllowed=y

[4] The official publication of the new constitution in 2010 created the legal framework for establishing county governments. This was followed by a three-year transition period that culminated in the establishment of 47 county governments through a national election that was held in 2013.

[5] Throughout this report, we have included the 2019/20 first supplementary budget to show the level of allocation before the Covid-19 pandemic and the 2019/20 second supplementary budget to show how the allocations changed immediately after confirmation of the first Covid-19 case in Kenya. However, the 2020/21 budget allocations are compared with the 2019/20 second supplementary budget as it was the final budget for the 2019/20 fiscal year. Therefore, any reference made to 2019/20 in this report refers to the 2019/20 second supplementary budget.

[6] This refers to the total budget for national government MDAs. It excludes allocations to Parliament, Judiciary, Consolidated Fund Services and county governments.

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[18] This refers to the Kenya Demographic and Health Survey 2008–2009. Note that the year is indicated as 2008–2009 to highlight the fact that data was collected from November 2008 to February 2009. The survey is available at: https://dhsprogram.com/pubs/pdf/fr229/fr229.pdf

[19] Kenya Demographic and Health Survey 2014. Available at: https://dhsprogram.com/pubs/pdf/fr308/fr308.pdf

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