Allow Level 5 Hospitals to retain and manage their Facility Improvement Fund collections

The Facility Improvement Fund is revenue collected at public health facilities as user fees paid to defray the costs of running these facilities. This fund is usually vital in enabling facilities to manage their day-to-day expenses and manage situations where emergency supplies have to be acquired. This brief argues that:

- Level 5 facilities should be allowed to operate and manage bank accounts for the facility improvement fund
- Counties should adopt legislation that is consistent with the Public Finance Management Act, 2012 (PFM Act) and the Public Procurement and Disposal Act, 2005, that allows facilities to operate accounts for FIF and be semi-autonomous procurement agents

Rationale

The government has been relying on cost sharing over the past three decades to cater for the deficit in budget allocations to health. In 2002-03, cost sharing contributed over 8 percent of the recurrent expenditure and about 21 percent of the non-wage recurrent budget of the Ministry of Health. Facilities have in the past been managing these funds as part of their operational budgets.

With Level 5 hospitals falling under county management since devolution of health, most of the counties hosting these facilities have required them to shut their accounts, where the user fees have been previously held, and bank their funds with the County Treasury, arguing that this is a requirement of the Public Finance Management Act (2012). Getting these funds back to the facility after banking them with the County Treasury has been challenging due to delays in disbursements, counties insisting on managing these funds directly and procuring on behalf of the facilities, and a plough back rate that is less than what was initially banked. This has in effect resulted in service disruptions in these facilities. Civil Society Organizations working in health conducted a rapid assessment and found the following:

1. Some of the facilities lose access and control of the money, and this is now at the behest of the county government to disburse or not.
2. There were reported cases of delays in disbursements in most of the counties in getting back the FIF. This was linked to an overly bureaucratic process requiring many signatures from different people for approval.

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1 Dr. Richard Muga, Dr. Paul Kizito, Mr. Michael Mbayah, Dr. Terry Gakuru. Overview of Health Systems in Kenya. Accessed from the web on 22.5.15
3. Some of the collected funds submitted to the County Treasury had not been remitted to the facilities as at the time of data collection, despite being requested.

How can facilities maintain a Level of autonomy over the FIF while following the law?

The basis of facilities remitting their collections to the County Treasury has been the Public Finance Management Act (2012) which states that all revenue collected as part of county revenue should be managed by the County Treasury.

However, the PFM Act also states instances in which county entities are allowed to operate separate accounts on the basis of national or county legislation, as long as it is in line with the PFM Act. Part III Section 109 (2) (a) and (b) further expound on these exceptions;

"109 (2) The County Treasury for each county government shall ensure that all money raised or received by or on behalf of the county government is paid into the County Revenue Fund, except money that—

(a) is excluded from payment into that Fund because of a provision of this Act or another Act of Parliament, and is payable into another county public fund established for a specific purpose;

(b) may, in accordance with other legislation, this Act or County legislation, be retained by the county government entity which received it for the purposes of defraying its expenses;

or

(c) is reasonably excluded by an Act of Parliament as provided in Article 207 of the Constitution."

The County Government of Kiambu enacted the Kiambu Health Services Bill (2014), which has allowed ThikaLevel 5 Hospital to manage its funds, and to operate as a semi-autonomous procurement agent. This has eased operations at the facility. Part III of the Act section 42 and 43 outline how the health facilities in the county are expected to manage their finances.

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2 A detailed analysis of the Kiambu Health Bill, 2014 is available as one of the publications of this project.
Allow Level 5 facilities to operate and manage bank accounts for the Facility Improvement Fund

From the rapid assessment, the Facility Improvement Fund was described as a vital source of funding for Level 5 Hospitals. Even during the transition process from national to county management, a number of these facilities heavily relied upon the FIF to keep operations going. Thika and Meru Level 5 hospitals reported being allowed to manage their FIF by the respective county governments, and this has been instrumental in ensuring smooth running of services in these facilities. As outlined above, Kiambu has enabled this by implementing county legislation that supports national legislation.

Allow Level 5 hospitals to operate as semi-autonomous procurement agents

Across most of the counties, procurement is managed by the county government. The county health ministry makes the decisions on what is to be procured, and also sets the priority for these facilities. From the rapid assessment, facility management teams reported that being allowed to procure makes it easier to prioritize in relation to hospital requirements. As it was in the period before devolution, allowing facilities to procure gives them autonomy to manage situations. This should be done in consideration of county regulations, but without delays in the process. To facilitate this, development and implementation of county legislation that can complement national legislation is necessary.

Basis for this Brief: The Rapid Assessment

In mid-2014, the Civil Society Coalition came together to identify how to best approach the situation on sustainable financing for Level 5 hospitals. The CSO Coalition planned for a rapid assessment on the status of funding across the eleven Level five facilities. This was achieved by having interviews with the technical teams at the facilities and the county executives in charge of health. A tool looking into the finance, management and operations of Level 5 hospitals was developed, and data collected from the facilities and county executives. Teams of data collectors from the CSOs went to the facilities, conducted interviews and collected data from documents. These were then analyzed to explore the major themes emerging, especially around financing, management, staffing and service provision.

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3 For more information regarding the rapid assessment, please contact Kenya AIDS NGOs Consortium (kanco@kanco.org) or International Budget Partnership Kenya (International_Budget_Partnership@mail.vresp.com)