With devolution, a new funding mechanism has been put in place for Level 5 Hospitals in Kenya. Because these facilities provide services to multiple counties, it is necessary to provide additional financing through a grant to ensure that the host counties do not bear the full brunt of the burden of treating patients from other counties. As CSOs working on health issues, we strongly support the continuation of the conditional grant but make the following key recommendations:

- The National Assembly and Senate should provide oversight to ensure this funding stream reaches Level 5 hospitals and that they are adequately funded
- Parliament should revise the conditions associated with the grant as well as the allocation formula used

**Purpose of the Conditional Grant**

Level 5 hospitals are specialized facilities that cover large catchment areas. Not every county can or should manage a high Level facility of this type. The country has 11 such facilities and they serve multiple counties. The basis of the conditional grant is to ensure that these facilities are financed equitably and do not unduly burden the host county. Consequently, the conditional grant is supposed to go towards supporting the recurrent and development expenditures of these facilities.

**History of conditional grant**

The conditional grant was effected in the 2013/2014 financial year. National Treasury, upon consideration of the historical financing of the provincial hospitals and in light of the inclusion of additional high volume facilities, proposed a conditional grant of Ksh. 10 Billion for support of all the 11 Level 5 facilities. During debate on the Division of Revenue Bill (2013), Parliament reduced the conditional grant for Level five hospitals from 10 billion to 3.4 Billion on the basis that the host counties were getting disproportionate advantage from hosting the facilities, and thus should make significant contributions to fund these facilities. The balance of this amount would revert to the equitable share and subsequently be distributed among the 47 counties. To ensure continued provision of services, the host counties were supposed to top up the grant to ensure that services were available at these facilities. In 2014/2015, the proposed budget omitted the conditional grant altogether, prompting stakeholders in health, including civil society organizations, to make a case for the conditional grant. An allocation of Ksh. 1.87 Billion was then made, which was also adopted by the draft budget the following year. In 2015/2016, 2 billion was proposed for this grant; after negotiations, the Senate managed to push this back to 3.6 billion.

Current challenges – where are we today?

The current funding cycle is the third tranche of the conditional grant since its implementation. During this period, a number of challenges have been experienced in the allocation and implementation of the grant. The allocation of the grant has so far been erratic, and the allocation criterion for distribution among the facilities has been made remains unclear. In addition, getting feedback on how the funds have been utilized at county level has also been unclear. Results from the rapid assessment indicated that the conditions governing the grant remain ambiguous. There have been delays in disbursing these funds, which have led to service disruptions.², ³, ⁴

Proposed Solutions

Oversight on management of the conditional grant

The County Allocation of Revenue Bill 2015 has outlined conditions to guide the implementation of the conditional grant³. In the past two years, Parliament has not followed up on conditions guiding the implementation of these funds. It remains unclear whether, in the last two years, these funds have been used for the intended purpose. The conditions in the County Allocation of Revenue Bill require that these funds be used solely for the Level 5 hospitals, but this has not been the practice across the board. For the Level 5 hospitals to operate efficiently and effectively, it is important for these funds to be directed towards the running of these facilities, and to be available in good time. It is also necessary for Parliament to collect systematic data on whether the total funding (from the grant plus county budgets) is adequate to sustain these facilities. Parliament may wish to consider additional conditions in future, such as requiring counties to contribute a certain part of their own budget to the facilities, or ensuring that facilities can keep and utilize their user fees for their own operational costs. Parliament should also fully interrogate the criteria for sharing these funds across the facilities to ensure that it is equitable.

Basis for this Brief: The Rapid Assessment

In mid-2014, a Coalition of Civil Societies under the umbrella of HENNET 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. The team interviewed 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.⁶

² http://www.standardmedia.co.ke/thecounties/article/2000166042/low-funding-to-hospital-will-hamper-service
³ Sickly Hospital: Patients share beds, some forced to sleep on the floor at Nyeri Referral Hospital (29 May 2015) https://www.youtube.com/watch?v=_HZrG6g6Ng
⁴ Management of Nyeri Referral Hospital defends itself against claims of negligence (29 April 2015) NTv https://www.youtube.com/watch?v=A5v5h2kSwg
⁶ For more information regarding the rapid assessment, please contact Kenya AIDS NGOs Consortium (kanco@kanco.org) or International Budgeting Partnership Kenya (International_Budget_Partnership@mail.vresp.com)