**Memorandum on Division of Revenue Bill (DORB) 2014 Submitted to the Senate Budget and Economic Affairs Committee by Civil Society Organizations on 7/03/14**

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We are a group of ten Civil Society Organizations (CSO) working in the health sector in Kenya. We came together out of a joint concern for adequate investment and accountability in health. We are particularly concerned about resource allocation towards Level 5 Facility (L5F) and its impact on service delivery.

L5F have always served as referral hospitals and are intended to provide specialized care and treatment. They are high volume facilities and extend their services to more than one County. These are the pre-2010 constitution seven provincial hospitals and the additional four high volume Kisii, Meru, Machakos and Thika hospitals giving a total of eleven. In 2013, it was recognized that the transfer of provincial hospitals to counties could lead to under-financing of these facilities. The logic was that regional hospitals serve people from many counties, but by transferring them to a single county (where they are located), that County would then be bearing the cost of services for users from many counties. Funding arrangements were put in place to support Counties hosting the eleven facilities. If host counties have to pay for L5 hospitals this will lead to under-financing for lower level health facilities and ultimately, affect the decentralization of the health services as provided for in the Kenya constitution 2010. **OBJECTS**:

1. To highlight to the House health related concerns arising from provisions of the Division of Revenue Bill 2014
2. To plead with the House to reconsider the elimination of the Ksh 3.4 billion conditional grant allocated in 2013/14 to sustain Level 5 health facilities

**DRAW** attention of the House Committee to the following:

1. The initial proposed grant in FY 2013/14 was Ksh 10 billion, which was based on the fact that provincial health services alone received nearly Ksh 8 billion in 2012/13. Adjusting for inflation and adding the cost of the additional 4 L5 facilities, the figure was adjusted to Ksh 10 billion in 2013/14.

2. The Ksh. 10 billion was reduced by Parliament to Ksh 3.4 billion. It was argued that those counties that host such facilities get disproportionate advantage from them and should use some of their own funding, while this would be topped up through the conditional grant. Counties were therefore expected to fill the Ksh 6.6 billion gap.

3. Given the competing County priorities, health has consistently received negligible funding that compromises the health of the citizens at the county level.

4. Some counties did not top up the funding for the health sector in their county budgets for 2013/14. For example, Nyeri only the conditional grant to the facility. This means that the allocation for the hospitals has effectively been slashed. Although the issue remains unresolved, we note with concern that there is no conditional allocation for these facilities in this year's Division of Revenue. Further to this, no explanation has been provided for the zero allocation.

5. According to the Medical Superintendent Nyeri Level 5 hospital Dr. Njoroge, recurrent and operational cost previously paid for by the national government have increasingly accumulated leaving the hospital to rely on the Facility Improvement Fund (FIF) that is not enough. This is leading to accumulated unmanageable debt that will lead to inadequate and poor health services. In a quarter of an year, FIF from Nyeri L5 amounted to 30 million which is not enough to fund the operations of the hospital. This calls for an additional 20 to 30 million every quarter from other sources to complement FIF.

6. The conditional grant which is channeled through the County government should be channeled directly to the hospitals for ease of access and use.

**PRAY that:**

1. The Senate Budget Committee amends the Division of Revenue Bill to allocate at least the Ksh 3.4 billion funds that were allocated last year to the conditional grant for the HL5 facilities. Ideally, these should be adjusted upwards for inflation to approximately Ksh 3.6 billion, so that service levels can be maintained.

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**On behalf of the CSO working in the health sector undersigned herein**