Overview

Kenya was classified as being moderately exposed to the effects of the economic crisis with a moderate capacity to respond to the crisis according to a methodology developed by Cord et al, 2010. Economic growth declined from 7.1% in 2007 to 1.7% in 2008, while inflation increased from 9.8% to 26.2%. The economic slowdown was due to the 2008 post-election violence, increased prices of food and fuel, and to some extent the onset of the crisis. In 2009, the economic growth rate was 2.6% and was estimated to increase to 5.8% in 2010, but this would still be below 2007 levels. The Kenya shilling on average depreciated by 18.8% in 2008 compared to an appreciation of 5.6% the previous year. The level of remittances from Kenyans working abroad slowed during the period of the economic crisis, arising from job losses and increased costs of living.

Kenya, like many countries in Sub-Saharan Africa, was not spared from the negative impacts of the global economic crisis. However, the Central Bank of Kenya thought the impacts would be indirect and most likely small, because Kenya was primarily a rural based economy. Thus, a rapid assessment of the potential impacts of the crisis on health spending in Kenya represented an opportunity to see the extent to which the country was ‘protected’ from possible negative effects.

The Case

Real government spending in health care declined dramatically in 2007/08 and in 2008/09 financial years.


Recurrent government health expenditure declined between 2008-09 and 2009-10, whereas, development expenditure started to increase in 2008/09, from as low as US$ 69.6 million to US$ 157.3 million in 2009/10.

**Government Health Expenditure (GHE) as a percentage of total government expenditure appears to have declined during the period of the economic crisis**

In 2005/06, GHE accounted for 5.73% of total government expenditure, increasing to 7.9% in 2006/07. This proportion declined to 6.4% in 2007/08 and to 6.0% in 2008/09. It was expected to increase to 6.9% in 2009/10.

Total government health expenditure as a share of Gross Domestic Product (GDP) remained below 2% in the last decade. In 2008/2009, the share of GHE as percentage
of GDP declined to 1.5%, the lowest ever since 2002—the year when Kenya underwent a major political change—from the Moi’s 24-year rule to the National Rainbow Coalition (NARC) government.

Health services for the poorest populations appeared to be disproportionately affected during the crisis period

While expenditures for curative care, training and research, and preventive care increased in 2008/09, expenditures for primary health facilities (dispensaries and health centers declined by 32%. Preliminary data for 2009/2010 show declines in health expenditures overall (−75%) with the largest declines for curative care (−90%). As primary facilities are primarily utilized by the poor, reductions in expenditures at this level suggests the poor may have been disproportionately affected by the global economic crisis.

Total expenditure in provincial hospitals rose by 19% in 2008/09, but experienced a 30% decline in development expenditure. In 2009/2010, provincial hospital expenditure declined slightly. Expenditure for health centers and dispensaries declined by 81% in 2008/09, with recurrent expenditures declining by 95% over the previous year. However, in 2009/10, there was a 10-fold increase in expenditures at the health center and dispensary level relating to dramatic increases in development expenditure from US$ 9.9 million in 2008/09 to US$ 116.6 million in 2009/10. However, recurrent expenditure for health centers and dispensaries increased only slightly from $2 million to $2.7 million and remained much below 2007/08 levels ($37 million).

Spending on maternal and child health programs appeared to slow down during the period of the economic crisis

In 2006/07, total spending on maternal and child health programs increased by 230.8%, largely due to increased funding allocated to immunization programs. In 2007/08, recurrent expenditure on immunization was reduced by 51.4% but increased by 17.6% in 2008/09. Expenditure on reproductive health recorded a slight increase in 2007/08 and 2008/09, after a sharp decline in 2005/06. Discussions with ministries of health officials revealed that reproductive health programs have experienced severe budget cuts following withdrawal of some of the main donors who had supported the program for many years.

Drugs, medical consumables and non-financial assets experienced large budget cuts

The budget for goods and services (including general administrations, purchase of drugs, medical consumables and other non-capital purchases) declined by 38.2% in 2007/08.

Although the prices of basic commodities have gone up due to inflation, the ministry has not received any increment in the amount of resources to purchase commodities. Instead, commodities have experienced the largest budget cuts in the past 3 years as demonstrated by the quantitative data. The prices of commodities have also gone up substantially and the ministries can no longer afford to buy all the required drugs with the little money allocated by the government. Consequently, the health sector has been experiencing significant challenges regarding providing quality services in the absence of essential commodities like drugs and other supplies.

Donor funding for health was more affected by the political crisis in 2007/08 than the economic crisis

Prior to 2007/08, donor funds showed a positive trend recording an increase of 22.6% in 2006/07. In 2007/08, donor funding fell to US$ 39.8 million, a decline of 92.1% largely due to delays in disbursing funds in 2008 owing to the political crisis in the country. Donor funding however increased dramatically in 2008/09 and 2009/10.

Donor spending on HIV/AIDS showed a positive trend, but started to decline in 2009/10. Future commitments also indicate a downward trend that may be more a reflection of the inability to make multi-year commitments.

Additional support to primary health care was one response of the Government of Kenya to the economic crisis

The government has adopted a series of reforms in response to the global economic crisis. A key highlight of the stimulus package relevant for the health sector was the employment of 4000 nurses through the Ministry of Public
Health and Sanitation (MOPHS) to serve in dispensaries and health centers. Considering the acute shortage of health workers in the country, the move to employ nurses at the lower level of care was an important step towards providing care for the poor. Allocations of the package funds to MOPHS indicated the shift in priorities from curative to preventive care. In addition, US$ 1.28 million were allocated to buy motorcycles and bicycles for community health workers who were instrumental in the success of the community strategy.

Summary

This rapid assessment of the impact of the global economic crisis on health spending in Kenya shows that total government health spending contracted during 2008/09. Health spending continued to decline for rural health centers and dispensaries, as well as for provincial hospitals in 2009/2010. However, large increases in development spending for primary health care occur in 2009/10 to partly compensate for the downturn the previous year.

The contraction in health spending began in some instances in 2007/08 period in association with the political upheaval that year. While negative trends in spending continued in 2008/09 and in some cases 2009/2010, it is difficult to tease out the effects of the global economic crisis on spending above ongoing challenges relating to the political turmoil.

There is some evidence that donor support to the health sector declined in 2007/08 going into 2008/09, particularly for reproductive health programs. Financial support for malaria and HIV/AIDS programs, which are largely donor-financed, did not appear to be counter-cyclical.

Because out-of-pocket payments remain the main source of health funds in Kenya, the government should move towards implementing approaches that provide financial risk protection for all Kenyans.