Institute of Economic Affairs

Follow Up Assessment of the Medical Equipment Leasing Project: Should it be Extended?

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Published by

Institute of
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List of Acronyms

BPS	Budget Policy Statement
CRA	Commission on Revenue Allocation
CT	Computerized Tomography
CARA	County Allocation Revenue Act
CoG	Council of Governors
DoJ	Department of Justice
HDU	High Dependency Unit
ICU	Intensive Care Unit
KNH	Kenyatta National Hospital
MES	Managed Equipment Services
MRI	Magnetic Resonance Imaging
MoH	Ministry of Health
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
SCH	Sub County Hospital

Acknowledgements

The Institute of Economic Affairs (IEA-Kenya) would like to thank the author of this study, John Mutua with support from colleagues in the Public Finance Management Programme, namely; Raphael Muya, Noah Wamalwa and Darmi Jattani.

Special mention and gratitude goes to Dominic Mutuku, Independent Consultant who helped in review and compilation of information of relevant government reports. The IEA-Kenya is equally grateful to Timothy Wafula of KELIN and Titus Gitonga of Transparency International Kenya for their valuable insights during a preliminary dissemination Workshop.

We acknowledge overall guidance and oversight by the Kwame Owino, the Chief Executive of the IEA-Kenya. Oscar Ochieng's effort in edit, layout and design of the final study is well appreciated. Administrative support from the rest of the IEA-Kenya team is equally appreciated.

This work would not have been possible without the financial support of the Open Society Initiative for Eastern Africa (OSIEA). The-Kenya is sincerely grateful for the partnership.

Executive Summary

The leasing of medical equipment, commonly known as the MES project in Kenya, having lapsed by end of 2022, was intended to turn around specialized health service provision in the country through private public partnership arrangements. County health facilities were supplied with diagnostic medical equipment on a lease basis and in turn would remit lease payments annually to contractors through the national Ministry of Health. This study is a follow up on a past IEA Kenya value for money assessment of the MES project in Kenya. Overall, it sought to answer the lingering question of whether plans for its extension are justifiable or not. As a prelude, this study sought to respond to two other research questions. The first on the current implementation status of the MES project and the second on whether the project's intended objectives have been realized. The analysis was based on a review of purposely-identified two main government reports, the Senate Ad Hoc Committee on the MES project report for 2019 and the Office of the Auditor Generals reports on the Financial Statement of National Government and County Governments for the financial year 2019/20 and 2020/21. Media articles and other relevant literature were also reviewed and synthesized for complementary information.

Study findings reveal some success stories particularly in regard to improved scale up and access to diagnostic medical care. However due to cases of failure of delivery of medical equipment compounded by underutilization of delivered medical equipment in just over 25% of the counties, overall service delivery was sub-optimal. Lack of transparency in fiscal information made it difficult to establish the total cost incurred in the implementation of the MES project against estimated project cost. Besides, the MES project transactions and lease payments are riddled with audit irregularities and accountability questions. Furthermore, establishment of whether implementation of the MES project has realized its intended objective of enhancing geographical equity in access and affordability of key health services to all Kenyans was constrained. Fragmented and incomprehensive information on the MES project is largely the reason behind this challenge.

The bottom line is that the MES project has had some positive impact in terms of improving specialized health care service especially in the hard to reach counties. Implementation challenges, transparency and accountability gaps have however muted the anticipated impact of this project. Therefore the call for extension of this project without reconfiguration informed by an audit of its performance implies that the impact of specialized health service delivery continue to be undermined.

1.0 Introduction

The managed equipment services (MES) project launched in 2015 was among a couple of health infrastructure related projects undertaken during the Medium Term Plan (MTP) II for 2013-2017 (Republic of Kenya, 2013). It is a joint venture between the national and county governments via the private sector. Its objective is to enhance the geographical equity in access and affordability of key health services to all Kenyans. This is to be done through provision of specialized and modern diagnostic medical care equipment.

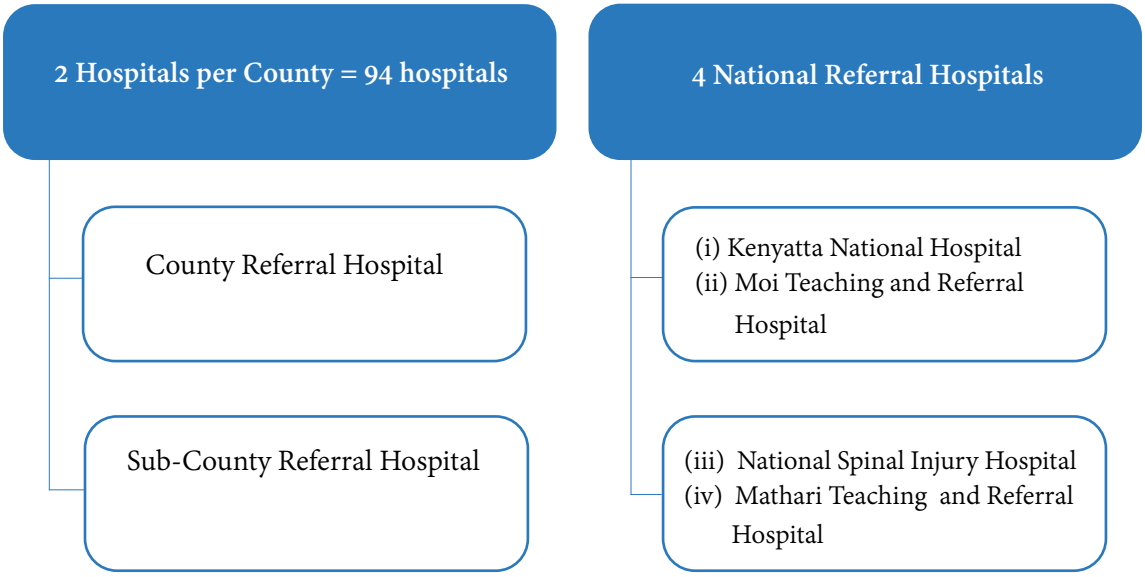
The Ministry of Health (MoH) notes that the initiation of this project was driven by concerns from various stakeholders on the status of specialized health service provision in the country. The Health Performance Report 2013-2014[1] revealed that the medical equipment then was more than 20 years old and thus experienced frequent break downs. This is what triggered a resolution between the national government and county governments' health officials who agreed the need for public health facilities to be fully equipped for improved service delivery. A needs assessment exercise conducted by the MoH in early 2014, confirmed that a majority of county governments did not have important diagnostic equipment such as maternity theatres, intensive care unit (ICU) and high dependency unit (HDU) as well as equipment for casualty services.

This is what marked the initiation of the MES project in which the national government outsourced specialized medical equipment contractors to supply, install and train users. Additionally, maintenance, repair and replacement services for the equipment for the duration of the contract was to be undertaken by the same contractors.

To run for seven years, this project provides selected hospitals with a fully integrated and sustainable access to, theatre services, central sterile services, ICU, dialysis and radiology services. The entire project was estimated to cost Ksh 38 billion.

[1](Republic of Kenya, 2013)

Figure 1: Beneficiary Health Facilities of the MES Project



Source (IEA Kenya, 2020) Leasing of Medical Equipment Project in Kenya: Value for Money Assessment

Two hospitals from each of the 47 counties and four referral hospitals were expected to benefit from specialized medical equipment translating to a total of 98 hospitals (see figure 1). It is the responsibility of each of the county governments to select the beneficiary health facilities[2].

The MES project was therefore expected to lapse in December 2022 and the question of whether it should be extended or not has lingered on since then. Based on media reports[3] , the government had three options to consider: (i) extending the project by three years; (ii) buy out the equipment at the same rate that contractors bought from the manufacturers and (iii) the government to ask for the equipment to be withdrawn from the facilities. However the public has received mixed signals on the extension option. On one hand, the media reported, albeit no formal communication that the MES project had been cancelled. On the other, there are indications of an agreement between the county governments and the national government that indeed the project will be extended for three years. In this respect, it is no wonder that health infrastructure development via the MES project is identified in the MTP III[4] as one of the health sector flagships projects[5] that the

[2]IEA Kenya (2020): Leasing of Medical Equipment Project in Kenya: Value for Money Assessment

[3]https://nation.africa/kenya/health/sh38-billion-leased-medical-equipment-project-in-limbo-4209374

[4](Republic of Kenya, 2018)

[5]The others include Social Health Protection, Medical Tourism, Health infrastructure, Health high impact interventions, digital health, human resources for health and Quality Care/Patient and Health and Worker Safety in addressing the challenges experienced in the health sector

government will accord special attention and priority during FY 2022/23-FY 2024/25 period. In fact, recent reports have clarified that there was no cancellation but a temporary suspension. Furthermore, that this suspension was to be revisited based on findings and advise from a task force constituted to iron out certain contentious issues including the turnaround time for servicing of machines.

From this backdrop, and given that there is no explicit and publicly available information on the evaluation of the MES project, this brief sought to follow up on IEA Kenya's past work on the value for money assessment of this project. With an impending extension of the MES project despite emerging development and the numerous unresolved accountability[6] questions, this report attempts to lay out issues for further debate on what this will mean for service delivery.

2.0 Methodology

Information was gathered primarily through a desk review of purposely-identified government reports, media articles and relevant literature. The following is the list of overarching questions that we sought to answer:

(i) What is the current implementation status of the MES project,

(ii) Whether the MES project has realized its intended objectives

(iii) What is the rationale for extension of the MES project

In particular, we reviewed and synthesized two main documents, the Senate Ad Hoc Committee on the MES project report for 2019 and the Office of the Auditor Generals (OAG, 2021) reports on the Financial Statement of National Government and County Governments for the financial year 2019/20 and 2020/21.

The Senate, on the 19th, September 2020 adopted a motion and resolved to establish the Ad Hoc Committee to investigate and establish the fact, surrounding the MES project in the then 119 beneficiary hospitals countrywide[7]. Some of the issues they investigated based on information gathered from various stakeholders (state and non-state) included whether prioritization of medical equipment was informed by needs; delivery of machines and whether aligned to the schedules and results of the project. There were indications that the OAG was to conduct a special audit of the MES project whose resultant report is however not publicly available. It is therefore still not clear whether the special audit was conducted or not. The other important source of information that we reviewed included government reports such as the MTEF Health Sector Reports[8], Office of the Controller of Budget[9] related media articles and relevant literature.

Our efforts to complement this secondary data with primary information were not successful. Since its initiation, the MES project has become quite sensitive, politically. It is for these reasons that officials from the MoH and county governments were reluctant to engage in any interview and likewise from the medical equipment suppliers.

It is important to note that the scope and depth of this follow up study is therefore limited to the available secondary information that we managed to collate, review and analyse.

[7](The Senate, 2020): A Report of the Investigation of the Managed Equipment Service (MES) by the Adhoc Committee

[8](Republic of Kenya, 2021)

[9](OCoB, 2020) and (OCoB, 2021)

3.0 Status and Performance of the MES Project

Under the MoH, the MES project is domiciled in the National Referral and Specialized Services Programme. The objective of this Programme is to increase access and range of quality specialized healthcare services. The MES project specifically falls under one of the four sub programmes titled health infrastructure and equipment. It is viewed as the main avenue for increased investment in the expansion of the existing infrastructure in partnership with all stakeholders. Nevertheless, implementation of the MES project is a county government's function.

Despite the heightened public concern that this MES project has generated owing to transparency and accountability deficits, there is no publicly available report on the assessment and evaluation of its performance since inception. Whatever is available is fragmented information. Most of it is from government reports mainly the National Treasury Health Sector reports and media articles. Annual State of Devolution Address report by the Council of Governors often captures some information on health infrastructure countrywide without attribution or linkage to the MES project.

3.1 Status of Delivery of the Medical Equipment to County Health Facilities

Lots as shown in table 1 categorize the different sets of the medical equipment. In total, there are seven lots and delivery of medical equipment per lot is contracted to a respective supplier[10] . Based on available information, table 1 further presents the target of medical equipment units that are supposed to be delivered on or before the end of the contract period. Additionally, the table also shows the status of delivery from 2015/16 to 2020/21 against overall project target but this information is not available for FY 2021/22, the final year of project implementation.

It is important to note that in the course of implementing this project, some targets (indicated as italics and in parenthesis) changed. This has consequently complicated assessment of the annual progress as no information is provided on the reason(s) for these revisions. Notably, this confusion may be explained by the fact that according to the Council of Governors (CoG), the schedule of equipment was not divulged by MoH to enable counties compare actual delivery with the original list of expected equipment per county. Furthermore, the total MES equipment beneficiary hospitals went up from 98 (4 at the national level and 94 at the county level) to a new target of 118.

[10]General Electric East Africa; Philips Medical Systems of Netherlands; Bellco SRL of Italy; Esteem Industries Inc. of India; Shenchen Mindray Bio Medical Ltd of China and Sysmex Europe GMBH

Table 1: Summary of implementation/delivery of Medical Equipment by Lots

	Target	2015/16	2018/19	2020/21
Lot 1: Theatre equipment	98 hospitals at both sub-county and county referral hospitals (219 theatres)	69	108	108
Lot 2: Surgical and CSSD (sterilization equipment and theatre instruments)	98 hospitals at both sub-county and county referral hospitals (120 CSSD units)	87	98	117
Lot 3: Laboratory equipment (Category 1)	No information provided	NI	NI	NI
Lot 4: Laboratory equipment (Category 2)	No information provided	NI	NI	NI
Lot 5: Renal dialysis equipment	49 hospitals at county referral and 2 national referral hospitals (New target Increased to 54)	26	49	54
Lot 6: Intensive care units (ICU)	11 former national and provincial hospitals (Increased to 14 ICU each with 6 ICU and 3 High Dependency Unit-HDU beds)	3	14	14
Lot 7: Radiology equipment	86 hospitals at both sub-county and county referral hospital and 4 national hospitals (98 x-ray units; 98 ultrasound units; 50 mammography units and 40 OPG units)	84	91	91

Source: Various issues of Health Sector Reports

According to various Health Sector reports, the government of Kenya fully met delivery of MES equipment as per the revised target of 118 facilities by end of FY 2019/20. In fact, the same reports indicates that 100% of public hospitals were fully equipped with MES equipment and that by end of FY 2021/22 were offering essential and critical health care services. With an uptime of 95%, in effect service delivery was uninterrupted and thus a major benefit realized under the MES project.

Whereas the health sector report for 2022 notes that the government has fully met the target of delivery of MES equipment, this is not the case when delivery against target by end of 2020/21 is broken down by each of the lots. Evidently, it is only in lot 5 for renal analysis equipment and under lot 6 for ICU equipment where delivery of this equipment met the target. Delivery of lot 2 for surgical and CSSD equipment was very close, 117 against the target of 120 units. The biggest gap was with regard to delivery of lot 1 for theatre equipment, 108 units by the end of FY 2020/21 against a revised target of 219 units.

Besides performance on delivery, it is important to note that there were cases of duplication of medical equipment, albeit minimal. The COG noted for example, that Laikipia County already had functional X-ray and theater equipment yet they received similar equipment. This implies and confirms claims that the needs assessment exercise was not comprehensive.

Delivery of MES equipment as scheduled is the first step towards realization of improved specialized health service delivery. The second step is the benefit derived from the utilization of these machines. In this respect, the health sector reports have identified major benefits realized under this project as follows:

- For a majority of counties, health service delivery has been running smoothly without disruption owing to reliability and prompt maintenance of medical equipment and regular monitoring of their functionality. This was reported as the most notable benefit complemented by ensuring that specialized training for health workers was sustained to optimize utilization of the equipment Collectively this resulted to achievement of minimum contractual uptime guarantee of more than 95%[11] , thus translating to reduced downtime of equipment.
- Time spent in the referral process was considerably reduced thus resulting to enhanced efficiency in the health system.
- Long queues of patients waiting to access specialized medical care services such as dialysis at the Kenyatta National Hospital (KNH) were reported to have reduced given the availability of MES equipment. This as a result has led to reduced patients' waiting time.

3.2 Functionality Status of Medical Equipment

Audit findings revealed that some of the already delivered MES equipment were not in use in various facilities. The impact of MES equipment on health services is dependent on the functionality of these machines. This means that where machines are not functioning optimally, county health service delivery will be compromised.

Like was captured in the previous IEA report[12], the main reasons for underutilization of these equipment is due to lack of requisite personnel and inadequate infrastructure including insufficient power and water. For example, the COG noted that Homa Bay County had trained a budding radiologist for 5 years at a total cost of Ksh 5 Million but when the officer graduated, they declined to resume their job. The CoG also stated that where training was offered for various county staff during installation of the MES equipment, it was not accompanied by refresher courses along the way. Moreover, they noted too that specialist training was minimal and confined to the training of nurses in charge of running ICU and renal machines.

A summary of hospitals with MES equipment installed but lying idle by end of 2019/20 is as follows: - Theatres equipment in 9 facilities was yet to be operationalized owing to lack of requisite personnel, lack of theatre facilities and or/lack of electricity as follows; Garsen Health Centre (Tana River County), Eldas Hospital (Wajir County), Chebiemit SCH (Elgeyo Marakwet County),

[11]Republic of Kenya. (2021). Health Sector Working Group Report Medium Term Expenditure Framework for the Period 2022/23-2024/25. Nairobi: National Treasury. Via https://www.treasury.go.ke/wp-content/uploads/2021/10/HEALTH-SECTOR-REPORT.pdf

[12]IEA Kenya. (2020) Leasing of Medical Equipment Project in Kenya: Value for Money Assessment. Institute of Economic Affairs (IEA) Kenya

Kamwosor SCH (Elgeyo Marakwet County), Endebess SCH (Transnzoia County), Emuhaya SCH (Vihiga County), Baragoi SCH (Samburu County), Kacheliba SCH (West Pokot County), Kigumo SCH (Muranga County), Mwala SCH (Machakos County) and Suguta Marmar Hospital (Samburu County).

Further, renal equipment was operational in all but two facilities as follows:

1. Meru Teaching and Referral Hospital: Renal equipment was yet to be operationalized owing to the ongoing construction works
2. Kapenguria District Hospital: Equipment was yet to be operationalized owing to lack of connection to a sewer line and insufficient power

In the case of radiology equipment, digital general ex-ray machines were installed and ready for service in 16 hospitals including: - Bondo, Chebiemit, Garbatulla, Garsen, Gucha, Kacheliba, Kapenguria, Kehancha, Keroka, Likoni, Makindu, Mwingi, Ndanai, Nyambene, Tharaka, and Endebess Hospitals. Power upgrade to three phase required to power the digital General X- Ray machines was required in 7 hospitals of these hospitals to make the equipment usable.

All ICU equipment under the MES project was installed and functioning except in Meru Teaching and Referral Hospital where requisite construction works were ongoing.

3.3 Impact of the MES Equipment on Health Service Delivery

Findings from the report by the Senate Ad hoc Committee on the MES project to some extent validates the benefits and performance of the MES project identified in the Health sector report. The Senate report as shown in table 2 goes further to summarize the impact of the MES equipment on health service delivery which is disaggregated by lot.

Table 2: Impact of MES Equipment on Health Service Delivery

Category	Impact on Health Service delivery
Lot 1: Theatre equipment	No information provided
Lot 2: Surgical and CSSD (sterilization equipment and theatre instruments)	Improved access to specialized and emergency care, for example in one quarter (July-Sep) 2019, a total of 28,902 surgeries were carried out in MES project beneficiary hospitals o Reduced patient waiting time o Reduced patient referrals o Improved clinical outcomes o Cost-savings for patients owing to lower user fee o Improved quality of life owing to improved health care o Increased hospital efficiency o Improved motivation amongst health personnel

Category	Target
Lot 3: Laboratory equipment (Category 1)	No information provided
Lot 4: Laboratory equipment (Category 2)	No information provided
Lot 5: Renal dialysis equipment	• Expansion of renal dialysis services from five public hospitals previously, to 54 health facilities • Installation of 305 additional dialysis machines • 1,265 dialysis patients were attended to with 198, 256 dialysis sessions • Increase in revenue collection by hospitals of Ksh 1,883,432,000 from the 9,500 NHIF refund. • Decongestion of 5 major hospitals that were offering dialysis previously; i.e. KNH, Moi Teaching and Referral Hospital, Coast General Hospital, Nakuru PGH and Jaramogi Oginga Odinga Teaching and Referral Hospital • Improved staff capacity
Lot 6: Intensive care units (ICU)	14 hospitals were fitted with 6 ICU beds and 3 HDU beds something that has resulted to: o Improved accessibility to critical care, for example, 1,036 patients received ICU care between July and September 2019, o Improved clinical outcomes as well as improved staff capacity.
Lot 7: Radiology equipment	• Improved access to affordable, quality, radiological services; 726, 982 digital x-ray examinations, 251,285 ultra sound examinations, 9,618 digital dental x-ray exams, 6,148 digital mammography examination for the screening of breast cancer • Increased revenue collection in hospitals, upgrading of facilities with modern radiology facilities as well as improved diagnosis and image analysis

Source: Republic of Kenya (2019): Senate Adhoc Committee Report on MES Project.

This overall picture on the impact of the MES project on health service delivery however masks certain glaring gaps identified by both OAG and the Senate Ad Hoc Committee on the MES project reports. These reports highlight gaps related to delivery of machines against scheduled targets, sub-optimal functionality of machines and other governance issues. Collectively these gaps are the reasons why implementation of the MES project has not realized fully its envisaged goal and objectives.

4.0 Funds Spent on the Implementation of the MES Project

The Budget Policy Statement (BPS) 2023 by the National Treasury and consequently its approval by the National Assembly now confirm that the MES project will be renewed/extended. In this respect, Ksh 5.9 billion is proposed to be allocated as Conditional Grants through the MoH to the MES project for FY 2023/24. This allays the initial uncertainty surrounding the project given that in the draft BPS 2023 no allocation to the MES project was indicated.

Table 3. MES Project as share of County Health Budgets (Ksh Billion)

Category	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Budget Allocation to MES project	4.5	4.5	4.5	9.4	6.2	6.2	7.2
MES project Expenditure	2.5	9.6	5	8.8	DNA	DNA	DNA
Absorption rate (%)	55.6	213.3	111.1	93.6	DNA	DNA	DNA
County Health Expenditure	70.5	76.7	89.1	93.6	92.7	91.9	113.9
County Expenditure	295.3	319.1	303.8	376.4	383.8	398.0	401
County health budget share (%)	23.9	24.0	29.3	24.9	24.2	23.1	28.4

Source: OCOB BIRRs; Various issues of CRA Revenue Recommendation reports
IEA Kenya (2020): Leasing of Medical Equipment Project in Kenya: Value for Money Assessment
*: This figure is budgetary allocation NOT expenditure

***DNA - Data Not Available

Seven years down the line, a total of Ksh 42.5 billion has been allocated to the MES project since its inception in 2015/16 against a revised project cost of Ksh 63 billion up from the original Ksh 38 billion.

For the first three financial years, the annual allocation was the same, Ksh 4.5 billion which more than doubled in 2018/19 before reducing to Ksh 6.2 billion for the subsequent two financial years (see table 3). In 2021/22, the allocation went up again to Ksh 7.2 billion, denoting the mixed trend. On a per capita basis, MES budget allocation translates to each of the 47 counties receiving Ksh 95.7 million per financial year over the period 2015/16-2017/18. This amount peaked to Ksh 200 million in 2018/19 but consequently dropped to Ksh 121.9 million in 2019/20. This allocation is what formed lease payments to contractors by each of the county governments.

The lingering question has been why county governments are paying similar amounts (lease payments) yet they are receiving different set of medical equipment and generally why the variations. Lack of full disclosure of MES contracts between the MoH and the contractors to county governments made it difficult for the CoG to explain the variations in annual payments from Ksh 95.7 million to Ksh 200 million per county. In part however, media reports reveal that there was additional equipment to benefit 21 additional hospitals, expanded MES project, and that the cost was spread across the 47 counties.

The other notable observation from table 3 is that spending on the implementation of the MES project fell below budget allocation by about 45% in the first year. However to compensate for this underspending, actual expenditure picked up sharply, double what was allocation in 2016/17 and just over 100% in 2017/18 but dipped in 2018/19. Due to lack of information on actual spending on the MES project from 2019/20 to 2021/22, we were not able to compute the absorption rate. In general, this mixed trend in spending against allocation partly explains sub-optimal performance of the MES project during that period.

4.1 Cost Escalations

The diagnostic equipment including renal, radiology and theatre require starter kits requires consumables and reagents for their operation and use. However, the cost of acquiring these items was not factored into the overall MES project. As a result, counties have had to bear this cost, leading to escalation of project costs. To make matters worse, audit findings reveal that the MES equipment was locked to specific consumables and reagents which were not only expensive but also not readily available in the market. This consequently led to the entry of KEMSA engagement with counties as an alternative supplier of the consumables and reagents after successful price negotiation downwards by 20%.

4.2 Audit Queries

To execute the MES project, county governments have since its inception been setting aside about five percent of their health budget every financial year. Numerous and recurring audit queries, in varying degree have been raised by the OAG regarding the lawfulness and effectiveness of transactions related to implementation of the MES project. Table 4 presents example of some of the county specific audit queries that have been flagged in 2019/20 and 2020/21 by the OAG.

Table 4: Select Audit Queries related to the MES Project for the FY 2019/2020 and 2021/22

No.	County	Issue
1	Bomet	**Lack of Sufficient Disclosure on Managed Medical Equipment Contract** Included in specialized materials and services costs totalling Kshs 250,698,645 is Ksh 95,744,680 being payment towards annual leased medical equipment supplied by the National Government. However, although the equipment was in use, the lease agreement detailing the scope of the programme including equipment types, costs, specifications and quantities were not provided for audit review. Further, the equipment was not included in the County Government's assets records. In the circumstances, it was not possible to confirm whether value for money was obtained from payments totalling Ksh 95,744,680 made in respect to the contract in the year under review.
2.	Nyandarua	**Lack of Managed Equipment Service Lease Contract** MES equipment was to be provided in seven to two hospitals in the County, namely, J. M. Kariuki (Ol Kalou) Hospital, which is a Level 4 hospital and Engineer SDH, a Level 3 facility, on a 7-year lease arrangement. According to the annual County Allocation of Revenue Act (CARA), in the five years that the MES programme has been in operation, the County has paid lease rentals amounting to Ksh 619,148,937. It was noted that the lease rentals is reflected in the CARA as a conditional grant for leasing of medical equipment. However, the amount is not remitted to the County Government, but is retained at the MoH. In the absence of the CT and MRI equipment, and the undisclosed information on the contract, it was not possible to confirm whether the County received value for money from the Scheme. Further, Lots 3 and 4 of the MES equipment have not been supplied despite the fact that the County Government has constructed two laboratories for the items while the ICU equipment which are under Lot 6, is reserved for level 5 hospitals has not been provided since the County Government does not have such a facility. Consequently, it has not been possible to confirm whether the County residents have received value for money from the expenditure on MES programme.
3.	Baringo	**Lack of Managed Equipment Service Lease Contract** The MES equipment would be provided to two health facilities in the County, namely, Eldama Ravine Hospital and Baringo Hospital on a 7 year lease arrangement. According to the annual CARA, in the six (6) years that the MES Programme has been in operation, the County has paid lease rentals amounting to Ksh 751,170,214. The lease rentals paid by the County are reflected in the CARA as conditional grant for leasing of medical equipment. However, the amount was not remitted to the County Government, but was retained by the MoH. Further, examination of records showed that the basis of the amount of annual lease rentals could not be determined and the County did not have a register for recording the delivered managed equipment service assets. In the circumstances, value for money from the MES Programme could not be confirmed.
4.	Nandi	**Leased Medical Equipment** Records presented for audit indicated that an amount of Ksh 131,914,894 was directly deducted by the National Treasury from the equitable share of revenue for payment for the leased equipment during the year under review, thereby bringing the total lease rental payments made by the County Executive to Ksh 522 million as at 30 June, 2020. Further, Lot 6 - ICU Equipment has not delivered. As a result, Nandi County did not establish an ICU as expected. However, the values of the equipment supplied were not reflected in the County's asset records and the criteria used to charge the lease rentals could not be confirmed. In view of these anomalies, the valuation of the assets obtained through the Scheme and validity of the lease payments amounting to Ksh 131,914,894 for the year could not be confirmed.

No.	County	Issue
5	Baringo	**Unsupplied Medical Equipment** As similarly reported in the previous year, the County Allocation of Revenue Act, 2020 reflected payments totaling to Ksh 523,404,256 on account of Leased Medical Equipment Scheme (LMES) supplies by the National Government. Audit inspection on implementation of the Scheme in the County confirmed that except for the computerized Tomography (CT) Scan and Magnetic Resonance Imaging (MRI) machines, all the equipment due was supplied and put to use. However, as previously reported, the financing agreement for the Scheme was not presented for audit review. In addition, information on cost allocation and payment for each item of equipment was not presented for audit. In the absence of the CT and MRI equipment, and the undisclosed information on the contract, it was not possible to confirm whether the County received value for money from the Scheme.

Source: OAG (2020): Report of the Auditor-General for the National Government for the Year 2019/2020

A mix of audit queries have been reported, symptomatic of transparency and accountability issues related to implementation of the MES project. In the case of Bomet, MES equipment were delivered and in use. However, the main issue is that, due to lack of sufficient disclosure of lease agreement details of the scope, type of equipment and cost were not disclosed for verification. For Nyandarua, there were cases of undelivered MES equipment, particular laboratory equipment under Lots 3 and 4 as well as ICU equipment under lot 6. Furthermore, both Nyandarua and Baringo did not have a register for recording the delivered equipment and therefore determining the basis of the amount of annual lease rentals was difficult. Lack of documentation raised questions on the validity of lease payment and this example was cited for Nandi. Overall, the implication of these audit issues is compromised value for money.

5.0 Discussion and Synthesis

There are some success stories attributable to the implementation of the MES project including expansion of diagnostic medical equipment at the county level. This has consequently led to various health benefits such as increased access to specialized medical care. Nevertheless, this project has not lived up to overall expectations of enhancing geographical access and affordable specialized health care services. From this follow up study, a number of salient issues to back this up, stand out. Notably some of these issues are similar to findings from the previous IEA Kenya study.

Although information analyzed is not comprehensive and neither is there a publicly available assessment of the MES project, there are glaring gaps that reiterate sub-optimal specialized health service delivery.

a. Cases of failure of delivery of medical equipment compounded by underutilization of delivered medical equipment and the opportunity cost

Significant effort was put on ensuring that medical equipment categorized by the 7 different lots was delivered by suppliers to counties as per the schedule of equipment. By 2020/21 with a year to go to the end of the MES project contract, some medical equipment were yet to be delivered. This is despite revision on the target of medical equipment to be supplied that happened during the implementation of the project. Furthermore, there were cases of duplication, albeit minor, confirming that the needs assessment was not comprehensive. Besides the project contract did not make any provision for flexibility in redistribution of equipment from a primary beneficiary to another county government in case of duplication.

Delays and in some cases none delivery of medical equipment was however not the main challenge, but rampant cases of underutilization of delivered medical equipment. Notably, theatre equipment in over 10 health facilities across various counties remained idle due to lack of supporting infrastructure and medical personnel. Similar cases, in 16 health facilities across counties were noted regarding radiology equipment and digital x-rays machines. There were minor cases regarding operationalization of renal equipment. Overall, these cases present an opportunity cost, as funds already spent would have been better channeled to provision of other priority services. With funds having being spent, yet we have cases of undelivered and underutilized medical equipment is an indication of lack of value for money.

The aforementioned scenario is also an indictment on the needs assessment that was carried out. If indeed the assessment was comprehensive, it would have established the level of county capacity to absorb and utilize the equipment. Otherwise, procurement of medical equipment with full knowledge of gaps in medical equipment absorptive capacity was perhaps driven by private commercial interests.

b. Irregularities and accountability questions in relation to MES project transactions and lease payments

Audit findings are revealing on the legality and effectiveness of some of the MES project transactions. OAG reports have flagged the unconstitutionality of the way conditional grants for the MES project are channeled and utilized. Legally these funds are supposed to be transferred and deposited to each of the Counties respective Revenue Fund. However, the funds were instead appropriated directly by the MoH which is contrary to Art. 207 of the Constitution of Kenya. Additionally, audit queries exposing irregular procurement processes, unsupported expenditure and non-disclosure of information such as the MES project contract and validity of lease payments were raised. Furthermore, cost escalation due to the need to meet cost for items that should support operation of the MES equipment was not foreseen. This has, as a result contributed to inflated overall project cost which was disproportionately borne by the counties. Amidst all these irregularities in MES project transaction, it is not clear the supervisory and oversight roles played by the National Treasury, OCOB and the MoH.

c. Opacity of fiscal information makes it difficult to establish the total cost incurred in the implementation of the MES project against estimated project cost.

Whereas information on annual allocation to the MES project as a conditional grant is publicly available by contrary, that on actual and up to date annual spending is not publicly available. Given the mid -course variation of the project scope and additional costs incurred to support the operationalization of the MES equipment, opacity of information made it difficult to compute the total cost incurred by end of the 2022. Other details of the amount paid to each of the contracted medical equipment suppliers and whether in line with contract are not publicly available either. Without government commissioning a comprehensive audit or evaluation of the project it becomes impossible to answer the foregoing questions. Given that no such information or report is public, it is safe to assume that the government or indeed the MoH is yet to undertake such an exercise.

d. Establishment of whether implementation of the MES project has realized its intended objectives owing to fragmented and incomprehensive information is constrained

Information and reports on the impact of the MES project on health service delivery is not only fragmented but also incomprehensive. Given these limitations and lack of comprehensive audit of the MES project, therefore makes it difficult to conclusively analyze the extent to which the intended objectives of the MES project have been realized. For starters, there is no publicly available

report that provides a criteria with parameters for assessment of the MES project. Secondly, as much as some information on the impact of the project on health service delivery is provided, mainly through Health Sector Reports, baseline information is missing. Equally, service delivery indicators are mixed and not consistent in terms of inputs, outputs and outcome indicators for benefits realized from utilization of each set of diagnostic medical equipment.

5.1 Is the Extension of the MES Project Justified?

The answer to the question of whether this project should be extended or terminated is not straight forward. This brief has shown that there are some benefits realized from the implementation of the MES project. These benefits include improved scale up of diagnostic equipment at county health facility level and increased assess to specialized treatment. Therefore, arguments for the extension of the project in order to ensure that delivery of specialized health care is not disrupted to some extend may be valid.

The foregoing notwithstanding, this project has been riddled with recurring audit queries, transparency and accountability questions as well as gaps in its implementations. Collectively this has resulted to sub-optimal service delivery. Besides, county governments have had unresolved issues with the national level MoH as well as with the MES equipment suppliers. One of the issues, particularly with the latter is with regard to delays in the turnaround time for servicing of the machines.

It is therefore clear, that extension of the MES project as currently structured without addressing hurdles that have impeded implementation is imprudent. The new shape that this project may take or should take in case of an extension will require some reconfiguration informed by audit of the lapsed MES project. Otherwise an extension devoid of such reconfiguration will compromise the projects value for money.

6.0 Conclusion

With the MES project having lapsed by the end of 2022, the question of whether it has met its objective of enhancing affordable access to specialized health service through scale up in diagnostic medical equipment lingers on. Related to this is whether this project should be extended for another three years or not.

There being no publicly available evaluation or audit of the performance of the MES project, this follow up study notes that its extension without reconfiguration will result to compromised value for money. Whereas some success stories are notable regarding the benefits and impact of the MES project, service delivery has been sub-optimal. Cases of undelivered medical equipment and underutilization of those that have been delivered have contributed to overall implementation hurdles of the MES project. Irregularities in financial transactions and attendant audit issues are attributed to overall transparency and accountability gaps of the MES project.

Our call to the policy makers, particularly national and county government health officers is to ensure that a rapid audit of the lapsed MES project informs its reconfiguration if its extension is what is on the card. This is critical for improved service delivery in specialized health care. At the same time, experiences and lessons learnt from this novel public private partnership project in the health sector, are useful for similar projects in the future.

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Annexure

Summary Matrix of Issues Raised by Different Actors before the Senate Ad hoc Committee

No.	Organization	Key issues raised and Discussed on MES
1	The Auditor General (OAG)	• Legal Framework Governing MES Project, • Project Identification, Needs Assessments, • Financing, Procurement of Financial and Legal Consultants and Pricing
2	Office of The Controller of Budget	• Legal basis for the Authorization of Withdrawal of funds towards MES Project, Budget Allocations and Expenditures on the MES Project
3.	Council of Governors (CoG)	• Memoranda of Understanding, Contractual Agreement and Variations, Duplication of Equipment, Financing Equipment, Schedule of Equipment, Delivery, Installation and commissioning of MES Equipment, Specialized Personnel, Staff Training as well as Consumables and Reagents.
4.	Ministry of Health (MoH)	• Conceptualization, Initiation and Implementation of MES project, Needs Assessment Conducted, Procurement, • Leasing vs outright purchase, Cost of MES Equipment, Schedule of Equipment Received, • Delivery, Installation and commissioning of the MES project as well as Functionality Status of MES Equipment
5	Kenya Medical Supplies Authority (KEMSA)	• Procurement Process and Pricing
6	Meeting with the office of the Attorney General and Department of Justice (OAG and DOJ)	• Engagement of the OAG and DOJ in the review of the Draft MES Contracts, Ceremonial Execution of the MES Contracts, Non-Disclosure of the Final Executed MES contracts by MoH, Amended and Restated MES Contracts, as well as Review of the GoK Letters of Support
7	Meeting with (CSOs)-KELIN	The senate adhoc committee on MES met the KELIN in a consultative meeting held on Friday 18th October 2019, and received the following submissions from KELIN; - The MES Project as implemented violated article 3,10, and 35 of the constitution of Kenya and provisions of Intergovernmental Relations Acts and Public Finance Management Act KELIN stated that, between 2016 and 2018, they sent several letters to CoG and MoH seeking further information on MES project. However, the organization was yet to receive any official communication from either the MOH or the CoG on MES project In April 2019, the organization (KELIN) commissioned its own investigation to look into MES project, Key areas of Interest in its investigation included the parties behind the leasing of the equipment, and the evidence or lack of thereof public participation in the initiation and execution of MES project.

No.	Organization	Key issues raised and Discussed on MES
		The findings of the investigation revealed that county government had not been involved in prioritizing their medical equipment needs. This fact had been backed by a letter addressed to the EACC by the then chairperson of CoG requesting the agency to investigate the MES project. Further, the investigation revealed that various counties were yet to benefit from MES equipment supplied to them either due lack of space, human resource personnel an insufficient electricity supply.
	Meeting (CSOs)-Transparency International-Kenya	The committee met Transparency International (TI) Friday 18ty October 2019. TI noted that collaboration with other stakeholders, several request had been made to the MoH for information on MES project to no avail. Specific observations by the organization in relation to the project were provided as follows; - • MES Contracts were done in secrecy • Despite being a matter of great national interest, details on the MES project had not been made public • The project had failed to meet the core health needs of the Kenyan population thus raising questions of the value for money • MES equipment had not been installed despite the fact that counties did not have the capacity to absorb the equipment. This led to low utilization of the equipment • The project was commerce-driven and appeared to be of more benefit to the contractors than to the Kenyan public Based on the issues raised above Transparency International Kenya proposed for the following recommendations; - • That the MoH publishes the MES contracts. Concept paper, needs assessments and any other document related to the project • That MoH publishes the list of hospitals that received the equipment, as well as the criteria used to identify the beneficiaries • That the MoH make it public the capacity needs report for each facility • That the MoH make it public an impact assessment report on the MES project • That the OAG develops a report on value for money with regards to MES project • That the Public Procurement Regulatory Authority investigates the MES to establish whether the right procedures were followed in its implementation

Source: Republic of Kenya (2019): Senate Ad hoc Committee Report on the MES Project.

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ISBN 978-9914-49-642-0