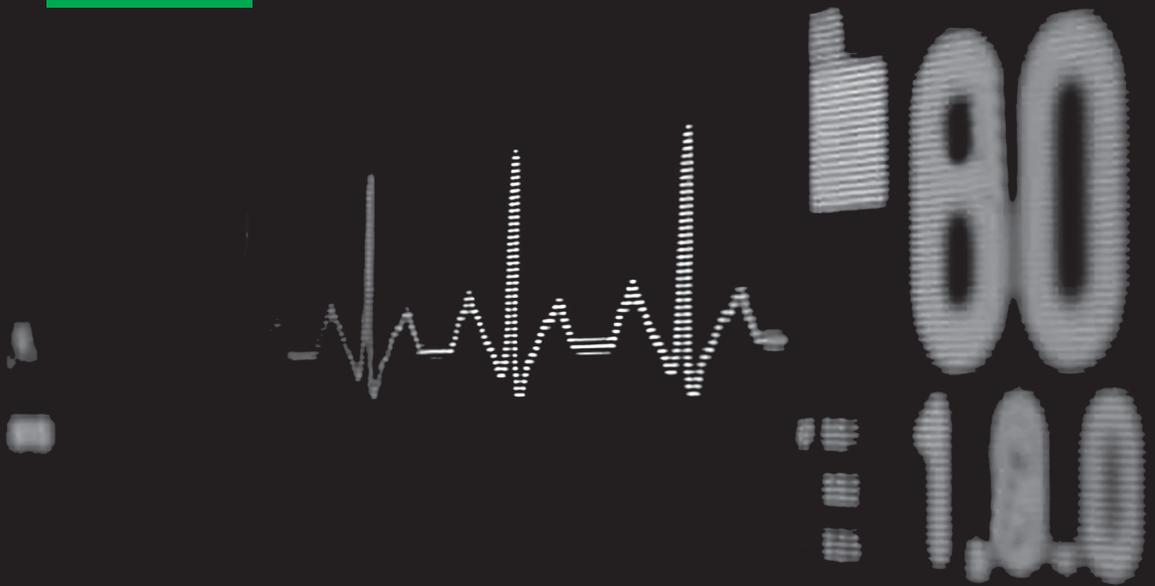




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Economic Affairs



Leasing of Medical Equipment Project in Kenya: Value for Money Assessment



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Acronyms and Abbreviation

| | |
|--------|---|
| APHRC | African Population and Health Research Centre |
| CoG | Council of Governors |
| HDU | High Dependency Unit |
| ICU | Intensive Care Unit |
| KHSSP | Kenya Health Sector Strategic Plan |
| KIPPRA | Kenya Institute of Public Policy Research and Analysis |
| KMPDU | Kenya Medical Practitioners, Pharmacists and Dentists Union |
| MES | Managed Equipment Services |
| MoU | Memorandum of Understanding |
| MTP | Medium Term Plan |
| NHIF | National Hospital Insurance Fund |
| OAG | Office of Auditor General |
| PFMA | Public Finance Management Act |
| PPPs | Public Private Partnerships |
| SDGs | Sustainable Development Goals |
| UHC | Universal Health Coverage |





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Executive Summary

The Kenya Government's commitment to provision of quality and affordable health care for all Kenyans from a constitutional, policy and even global perspective is not in doubt. As a critical component of economic development, Universal Health Coverage (UHC) is identified as one of the planks of the government's "Big Four" Agenda.

Despite obvious successes in health outcomes, in part driven by Devolution, challenges especially of inadequate medical personnel, low specialized health infrastructure to deal with a rise in non-communicable diseases and cases of injuries remain. This has engendered increasing demand for health services, piling pressure on the government budget.

The leasing of medical equipment (Managed Equipment Services-MES) project was initiated in 2015 as an alternative health care financing option to scale up health infrastructure for provision of specialized medical care. The question of whether this was the most cost-effective intervention, especially as a public private partnership (PPP) project, is what this publication sought to investigate. Which then begs the question: four years down the line, is the public getting value for money from implementation of the project?

Using a combination of primary data from key informants' interviews and secondary data, in particular, from a synthesis of available government reports, the Office of the Auditor General's Reports for the Financial Year 2015/16-2017/18 and media reports, interesting findings provide some facts on the MES Project, its design and cost; and its status and implementation.

Six different private firms were contracted by the national government to equip two hospitals per county and four national referral hospitals with different sets of medical equipment, ranging from theatre and Intensive Care Unit (ICU) machines to machines for offering renal dialysis and imaging services. This is under a seven-year project worth Ksh 38 billion.

However, about four years into the project, study findings reveal cost variations. For the benefit of an additional 21 hospitals, the project cost went up to Ksh 63 billion. Due to transparency issues, including access to important documents such as the project contract, it was unclear whether the project cost is inclusive of suppliers' obligations, beyond supply and installation of equipment, including training, repairs and replacement, and insurance costs.

Although analysis of audit reports show that counties signed a Memorandum of Understanding (MoU) between themselves and the national government on the leasing of the medical equipment project, they claimed not to have been consulted on the project design. Further study findings show that this project design was not informed by a county health needs assessment exercise yet counties are not homogenous.



From the synthesis of audit reports, we found out that the lawfulness and accuracy of expenditure of Ksh 4.5 billion by county governments for each financial year from 2015/16- 2017/18 could not be verified due to lack of supporting documents. Other specific questions on unlawful transactions raised were in regard to violation of financial laws and procurement processes and regulations as well as questions on the lease rental paid. For example, counties were making payments of equal amounts yet they would not benefit from the same set of medical equipment. Collectively, there was unlawful and ineffective utilization of public funds allocated to the implementation of the MES Project.

Government reports show that delivery of medical equipment was 100% based on the targets by the end of 2018/19 but from audit findings the contrary is the case. Two cases of no value for money were highlighted.

One, there was underutilization of delivered medical equipment, largely due to lack of personnel and supporting infrastructure in some health facilities. Second, some medical equipment has not been delivered to date. This patently suggests poor service delivery results.

The call to action is the need for an intergovernmental approach for evaluation of the MES Project as well the need for the Office of the Auditor General to undertake special audits on this project. Subsequent findings from the evaluation and audit should then be used to inform reconfiguration and redistribution of medical equipment based on county health and human capacity needs. There is also need to strengthen public finance management (PFM) and audit systems for better reporting, and thus, overall transparency and accountability.





1.0 Introduction

The government of Kenya considers access to health services a critical condition for development. In this respect, the government aims to attain the highest possible standards of health in a manner responsive to the needs of the population as noted in various reports, including the Kenya Health Policy, 2014-2030. At the center of this objective is the desire to conform to Article 43 of the Constitution of Kenya, which elevates health care to a human rights-based public service. The government's objective in the health sector equally conforms to its global commitments, including the Sustainable Development Goals (SDGs) and universal health coverage (UHC).

Kenya's population has undoubtedly made positive strides in the utilization of health care services. The country's indicators of health outcomes reflect this fact, especially service utilization at various life cycles. The available literature shows that the number of children immunized has increased, child mortality has fallen and that the burden of communicable diseases has eased. More positives are reported by the Ministry of Health in reference to health care infrastructure.

For example, the number of health facilities increased from just about 9,000 before the advent of Devolution to 10,000. The investment in health infrastructure has increased the national average facility density from 1.9 to 2.2 health facilities per 10,000 persons.

Evidently, part of this success is attributed to the devolution of the health care function. Following from this welcome outcome of the country's constitutional reforms, it is expected that the county governments will continue to address inequities in access to health services. Equally, counties are expected to leverage on sharing of the available resources rather than embark on new health investments such as building new hospitals and purchasing of specialized medical equipment (World Bank, 2014).

To accelerate provision of universal health coverage in order to guarantee quality and affordable health care to all Kenyans, the government has identified health as one of the focal areas under the Big Four development thrusts. The others are food security, affordable housing, and industrialization. The initiatives are designed to accelerate the economic transformation of the country over the next five years, starting with the investment plans for 2018/19.

The health sector has nonetheless continued to face a number of challenges, including inadequate medical personnel, low specialized health infrastructure, high maternal mortality and low access to quality health care facilities. In particular, the reported increasing incidence of non-communicable lifestyle diseases such as cancer, heart diseases and diabetes is an emerging issue attributable to apparent neglect of some subsectors of the country's healthcare system on the part of government.



Of note, too, are the increasing cases of injuries arising from traffic accidents, which contribute approximately 50% of bed occupancy in hospitals and over 40% of hospital mortality in the country. It is thus evident that injuries and non-communicable health conditions will be a major burden to the economy by 2030 (Republic of Kenya, 2018).

Health care financing

Pointedly, effective and efficient health care financing is critical to the development of Kenya's health care system. Although total health expenditure has increased in absolute terms, from Ksh 271.97 billion in 2012/13 to Ksh 345.7 billion in 2015/16, the bulk of this spending-- almost 40%-- was out of pocket- from individuals and households- relative to public spending, which constituted 37% in 2015/16 (Ministry of Health, 2017). High out of pocket spending pushes the poor further into poverty as this segment of the population spends a substantial part of its miniscule non-food household budget on health.

Significantly, available literature shows that government health spending is currently about 6.7% of the country's budget (national and county governments), which is markedly below the 10% mandated by the Abuja Declaration. While the government has endeavored to increase the share of its primary health care budget, this has rather been stagnant and amongst the lowest in the region (World Bank, 2014), overshadowed by bias in provision of curative health services, which is both inefficient and inequitable¹. Additionally, funding for these programmes still remains donor dependent, at 80%. This poses a challenge due to the rebasing of the country's economy to higher-income status, as this would decrease the donor support the country is receiving.

Escalating population health needs and the corresponding higher demand for health services have both piled pressure on the government's fiscal public obligations. As a result, the fiscal space has continued to narrow. This situation is exacerbated by plateauing revenue performance and growth that has lagged behind expenditure growth, in essence leading to widening fiscal deficits.

1.1 Problem Statement

Given this reality of fiscal constraints Kenya's, like many other governments, is turning to the private sector through approaches such as PPPs as an alternative to financing broad-based provision of health care services. Beyond traditional infrastructure related projects, such as in transport and in energy sectors, PPPs are increasingly being explored in social sectors as well.

Fiscal constraints are not the only driver of PPPs' popularity. Arguments that the private sector is better, promotes efficiency and is more cost effective are some of the other reasons. Besides, the World Bank Group, the G20 and other multiple donor initiatives are behind the push to promote PPPs mechanisms as a means to finance sustainable development goals.

The Managed Equipment Services (MES) Project is one such PPP model towards inclusive health care provision. In fact, the Kenya Health Sector Strategic Plan (KHSSP) 2014-2018 notes complementarities of private sector investment, and an increase in capital investment towards the upgrading of existing facilities as one of the priority investment areas of the government.

¹ Health Sector Working Group Report 2018-19 to 2020-21 (Data on the most recent total health expenditure not currently available).



The MES is arranged and designed as a long term solution to the provision of health facilities with sustainable access to health infrastructure at an agreed fee (Olotch C, year not stated). Simply put, instead of making huge upfront capital outlay for equipment purchase, for instance, the arrangement enables public hospitals to have access to modern health care infrastructure, equipment and/or services over an agreed period of time, with the government making regular payments based on agreed performance indicators, thus spreading costs. The MES arrangements, however, may vary from one region or health facility to another.

Specifically, the MES project is being implemented in Kenya as a way of scaling up health care infrastructure at the County level. According to the Ministry of Health, the MES Project is to support devolution of equitable, accessible, affordable and quality health care. Out of this investment, the government seeks to provide Kenyans with uninterrupted health services regardless of their location in the country.

Inherent in such projects is the question of whether it is the most cost effective intervention. The project calls for greater demand for accountability and justification for spending tax payers' money, given existing limited resources and further questions of whether this project will realize better health outcomes.

1.2 Study objectives

Generally, this study seeks to evaluate the worthiness or value for money of the MES Project in Kenya as an emerging health sector financing option.

Specifically, the study sought:

- i. to present some facts and demystify the MES Project in Kenya;
- ii. to analyze the status of implementation and performance as a value for money assessment of the MES project; and
- iii. draw recommendations for policy engagement on corrective measures for the MES Project.

Research Questions

- a. Is the MES Project the most cost effective intervention for scaling up specialized health infrastructure, thus enhancing health service delivery in the country?
- b. Is the MES Project delivering the benefits it promised? Is it delivering a human rights based public service, as mandated by the Constitution?
- c. Is the MES Project being implemented in accordance with democratic governance principles? In this regard, is attention being paid to transparency and to stakeholder participation?





2.0 Methodology

2.1 Analytical Approach

Assessment of the benefits and effectiveness of the MES Project against the cost of its implementation compared with the alternatives is a common approach in value for money evaluations. However, due to lack of access to detailed information and data on the cost and benefits of the project, including the contract and related documentation, this study opted for a different approach. To evaluate the Project, we reviewed and synthesized both primary and secondary data regarding issues raised on how it was initiated, its status and implementation.

2.2 Data Sources

For the primary sources, we purposively sampled key informants in an attempt to answer the earlier noted research questions and study objectives. We interviewed informants from county governments, a representative from one of the MES suppliers and a few health related civil society organizations.

Equally, we also conducted stakeholder mapping and public forum workshops. The stakeholder mapping exercise was held at the inception of the project and was essential in the identification of key stakeholders in the public health. Second, this exercise was used to assess the interaction of these stakeholders and their level of interest and influence in decision making processes. The workshops also provided an opportunity of identifying opportunities and challenges in health sector financing policies.

We also benefitted from a public forum that discussed emerging health sector financing trends, with the MES as a case study. This forum brought together various key stakeholders, including the Kajiado County Executive Health Officer and a representative from Philips Medical Systems, one of the MES equipment suppliers, as key speakers. Other participants comprised various representatives from health sectors-related civil society organizations such as African Population and Health Research Centre (APHRC), Deutsche Stiftung Weltbevölkerung (DSW)-Kenya, an international non-governmental organization addressing sexual and reproductive health; private sector representatives, academia/research organizations such as the University of Nairobi and Kenya Institute of Public Policy Research and Analysis (KIPPRA) and state agencies such as the National Hospital Insurance Fund (NHIF).

For secondary data, we largely relied on a review and examination of the national and county governments' Auditor General's reports and what they say about the MES Project. Given time and



resource constraints, this was the most tenable option as opposed to carrying out an actual audit and evaluation of the MES programme.

In particular, we reviewed both the national and county government Auditor General's reports for three financial years, 2015/16 to 2017/18 for a trend analysis. The year 2015/16 denotes start of the MES project whereas the most recent publicly available Auditor General's report is for 2017/18. The review of the County audit reports showed that seven counties contained audit findings on the MES Project. In this regard, the seven counties, that is, Kisumu, Nakuru, Nandi, Nyamira, Siaya, Vihiga and West Pokot, were used as case studies to assess the overall state of affairs with regard to implementation of the MES Project.

We also analyzed other secondary materials, including available government reports. Both print and electronic media articles and clips were also reviewed owing to the wide media coverage and attention that this project has attracted. These additional data sources capture a few other counties beyond the seven captured in the Office of the Auditor General's reports.

Using a spreadsheet, the following specific issues were assessed based on audit findings raised in the utilization of public funds on the MES Project, review of other secondary materials and primary information gathered:

- a. whether contractual agreements were signed between the national government and respective county governments as well as with the medical equipment suppliers;
- b. total amount paid (or withheld) for the purposes of procuring the MES equipment;
- c. whether all applicable laws with regard to, among others, procurement processes and financial regulations, were observed;
- d. actual delivery of the procured medical equipment; and
- e. whether or not the medical equipment were being utilized by the time the audit was carried out and any consequences thereof.

2.3 Scope and Study Limitations

The MES Project has since its inception and over its implementation raised a lot of issues and suspicion. This has and continues to receive wide media coverage. Disclosure and publicity of any information on the project by the national government is very minimal. if any. As a result, the scope and depth of the analysis is limited owing to overall challenges of accessing information and data, especially on the MES contracts and agreements between the national government, the county governments and the suppliers, its implementation progress report and any other reports capturing its evaluation so far. This, in spite of the constitutionally guaranteed freedom of Access to Information guaranteed every person- individual or corporate- by Article 35 of the Constitution of Kenya.





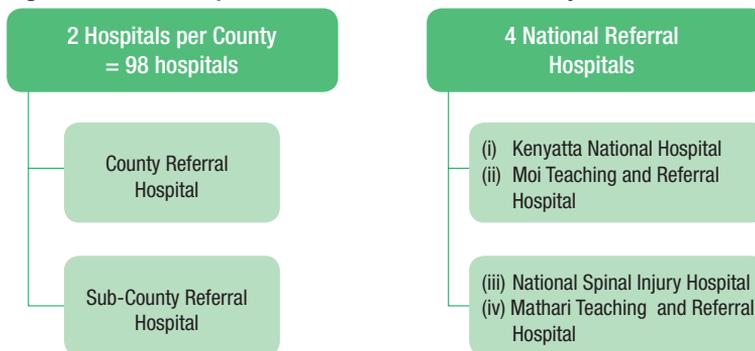
3.0 Audit and Analysis of the Managed Equipment Services (MES) Project

3.1 The Design and Cost of the Project

The MES Project was launched in 2015 and is among a couple of health infrastructure related projects undertaken during the Medium Term Plan (MTP) II. It is a joint venture between the national and county governments via the private sector whose objective is to enhance the geographical equity in access and affordability of key health services to all Kenyans.

According to the Ministry of Health, the national government outsourced equipment manufacturers to supply, install and train users but also provide maintenance, repair and replacement services for the specialized medical equipment for the duration of the MES contract. Under this project, at an estimated cost of Ksh 38 billion for a seven-year period, two hospitals from each of the 47 counties and four referral hospitals are expected to benefit from specialized medical equipment with a view to improving access to specialized services countrywide. This translates to a total of 98 hospitals (see figure 1 below). It is the responsibility of each of the county governments to select the beneficiary health facilities.

Figure 1: Beneficiary Health Facilities of the MES Project



The MES project was designed to cover six key health care areas, namely, dialysis, emergency, maternal-child health, basic and advanced surgery, critical care, and imaging services. It targets the equipping of select public hospitals with modern equipment as shown in figure 1. The equipment under this project is categorized into 7 Lots²:

- Lot 1: Theatre equipment, targeting 98 hospitals at both sub-county and county referral hospitals;
- Lot 2: Surgical and Central Sterile Services Department (CSSD) (sterilization equipment and theatre instruments), targeting 98 hospitals at both sub-county and county referral hospitals;
- Lot 3: No information is provided on this lot;
- Lot 4: No information is provided on this lot;
- Lot 5: Renal dialysis equipment, targeting 49 hospitals (at county referral and 2 national referral hospitals);
- Lot 6: Intensive Care Unit (ICU) equipment and services, targeting former 11 national and provincial hospitals; and
- Lot 7: Radiology, targeting 86 hospitals (X-ray and other imaging facilities (at both sub-county and county referral hospitals and 4 national hospitals).

The government negotiated leasing contracts with leading global medical firms, specifically;

- a. General Electric (GE) East Africa Services, who supplied radiology equipment worth Ksh 23.8 billion;
- b. Philips Medical Systems of Netherlands, which supplied ICU equipment worth Ksh 3.6 billion;
- c. Bellco SRL of Italy, which supplied renal and dialysis equipment worth Ksh 2.3 billion;
- d. Esteem Industries Inc of India, which supplied other theatre equipment worth Ksh 8.8 billion;
- e. Shenchen Mindary Bio Medical Ltd of China, which supplied other theatre equipment worth Ksh 4.5 billion; and
- f. Sysmex Europe GMBH, which supplied laboratory equipment worth Ksh 2.9 billion.

Respondents from Philips Medical Systems confirmed that they were contracted to revamp ICU departments and install state-of-the-art digital equipment for managing critically ill patients. As noted above, the company got a contract worth Ksh 3.6 billion from the government's Ksh 38 billion medical equipment leasing project to supply and manage ICUs in county hospitals. The Philips contract also entails the establishment of infrastructure that may be required to improve the quality of ICU services offered in public facilities. The digital ICU equipment includes monitors for assessing patients, wellbeing, defibrillators for resuscitation, ventilators for helping patients breathe well and provision of ICU beds.

The five remaining suppliers will supply counties with cancer radiology machines, dialysis kits and theater equipment. Specifically, GE will supply counties with cancer radiology machines, Bellco SRL, renal and dialysis machines, whereas Esteem will supply surgical equipment.

2 Health Sector Working Group Report 2018/19-2020/21.

As earlier noted, the suppliers are tied to:

1. routine maintenance; and
2. software upgrades mitigating the risk of software obsolescence and thereby guaranteeing the optimum utilization of leased services.

Specific information on the cost of the different set of medical equipment per supplier was obtained from a mix of government and media reports. Simple addition using this information, assuming no double counting, totals to Ksh 45.9 billion against the national government reported overall project cost of Ksh 38 billion. Although authenticity of media reports cannot be verified, it does not take away from the fact the cost of the MES Project remains questionable.

Furthermore, it is not clear whether Ksh 38 billion is exclusive of all the obligation of suppliers as noted earlier, beyond supplying and installation of the different set of medical equipment. For example, without access to the contracts and MoU we could not establish whether insurance costs for the machines are factored in the total project cost.

Recent media reports have cited a hike in overall project cost from Ksh 38 billion to about Ksh 63 billion. There is no clear explanation or justification of this cost variation. Conflicting explanations have been provided from various respondents. On one hand, this variation is attributed to an additional 21 beneficiary health facilities, said to be at the request of the Council of Governors (CoG). On the other, it is also linked to purchase of additional accompanying equipment, exchange rate fluctuations and cost of technology needed to network the MES Project through the existing health information system. As a result, this hike in the project cost will translate to each county paying more as will be noted in subsequent sections of this study.

Overall, lack of clarity and gaps in the MES project design portend hidden costs whose burden may fall disproportionately to the county governments. Another notable gap is with regard to ownership of the medical equipment upon lapse of the project (exit clause). This according to some County officials remains unclear.

Lack of Needs Assessment and Consultations on the MES Project Design

There are numerous issues and complaints that have been raised by Governors, other county government officials and by Senators as well about the MES Project and its design. At the outset, governors have complained that there were no consultations and that they were not involved in the MES deal, which was signed between the Ministry of Health and the equipment suppliers in February 2015. However, the ministry refuted this claim. In fact, they noted that all county governments were not only consulted but that they also signed a concept note in support of the MES initiative through their Governors. Recent reports and confession by the CoG chair indicate that governors were coerced by the national government into signing the agreement on the MES Project.

Moreover, governors contended that no health needs assessment was undertaken despite obvious differences in health challenges by counties. Simply put, the programme failed to acknowledge the diversity of, and unique, medical priorities and needs of each county. As such, the majority of governors underscored that a 'one-size-fits-all' remedy will not work. In support of this view, a county official noted that the project assumed homogeneity across counties with regard to the level of equipment available and yet a situation analysis would have revealed the opposite.

Separately, the governors also pointed out that this initiative by the national government was usurping the role of counties in health service provision. On this point, CoG together with a lobby, International Legal Consultancy Group, went to Court to stop the medical equipment leasing deal, noting that counties were being coerced by the national government to enter into binding contracts whose details and obligations remained at best scanty.

3.2 MES Project Budget and Audit Queries³

Provision of health care services is the single largest budget item for counties. On average, it accounts for about a quarter of their total budget. Out of this, the MES Project budget for each year was about Ksh 4.5 billion for 2015/16 to 2017/18. This is on average 5% share of the County health budget (see table 1).

Table 1: MES Project as share of County Health Budgets (Ksh. Billion)

| | 2015/16 | 2016/17 | 2017/18 |
|--|---------|---------|---------|
| MES project | 4.5 | 4.5 | 4.5 |
| County Health Budget | 84.9 | 93.7 | md |
| Approved County Budget estimates | 367.4 | 399.2 | 374.7 |
| County health budget share (%) | 23.1 | 23.5 | |
| MES project as a share of County health budget (%) | 5.3 | 4.8 | |

Source: OCoB Implementation Reports, CoG

md - Missing data

A review of the Office of the Auditor General’s reports for the national government and in particular for each of the 47 County Governments for 2015/16 to 2017/18 reveal a number of interesting audit queries (unlawful transactions) regarding the MES Project.

For the three-year period, the MES Project was only mentioned in the national government Auditor General’s report of 2015/16 as shown in Box 1. The overall audit finding was that the lawfulness and accuracy of expenditure of Ksh 4.57 billion on the MES could not be verified due to lack of supporting documents. In this regard, important supporting documents, including the contract, the Attorney General’s legal opinion on the contract, the procurement and the progress reports were not availed during the audit review process.

³ Audit queries highlight the unlawful transactions, the amount questioned and consequences of the action by an auditor during their investigation.

Box 1: Auditor General's Query on the MES project – National Government

239. Rental of Produced Assets - Medical Equipment Services

The statement of receipts and payments for the year ended 30 June, 2016 reflects use of the goods and services figure of Kshs.9,446,922,471. Included in this balance is expenditure amounting to Kshs.4,568,544,208 on medical equipment whose procurement, contract, progress report documents and the Attorney-General legal opinion on the contracts were not available for audit review.

Consequently, the propriety of the expenditure of Kshs.4,568,544,208 on medical equipment included in note 6 to the financial statements could not be confirmed.

Source: Report of the Auditor General on Financial Statements for the National Government, 2015/16

Equally, a review of the Office of the Auditor General reports for County governments reveal that the majority of them has not adhered to the constitutional threshold of lawfulness and effectiveness in the utilization of public funds in the health sector. This implies that some transactions in the health sector are questionable. For example, in FY2015/16 all counties but Machakos, Narok, Nyeri and Wajir had health related audit queries. West Pokot had audit queries on both the MES and other health related issues. In FY2016/17, it is only Kisii County that did not have any health related audit queries while in FY2017/18 it was six counties, namely, Kilifi, Kisii, Machakos and Makueni, Nyandarua and Tana River whose health related expenditure did not attract audit queries.

More importantly, the Office of the Auditor General's reports for FY2017/18 capture audit queries concerning the MES project in seven counties, namely, Nakuru, Nandi, Nyamira, Siaya, Uasin-Gishu, Vihiga and West Pokot. This number of counties with audit queries on the MES project seems quite small yet each county is a beneficiary of the MES Project. It is not clear whether the project was audited in each of the 47 counties, notwithstanding that auditing is about sampling. On the same point, it is important to note that the fact that the MES Project was not mentioned in 40 counties itself does not necessarily mean that there were no issues there and that they have a clean bill of health and vice versa.

Table 2: Overview of queried amount across select counties

| Counties | Audited Amount (Ksh Billion) –FY 2017/18 | Total Health Expenditure (Ksh Billion) – FY2017/18 | Audited amount as % of annual expenditure | Audited amount per capita (FY2017/18) (Ksh) |
|------------------|--|--|---|---|
| 1. Nandi | 0.390 (Ksh 97.5 Mn/Yr) | 1.423 | 6.9 % | 99 |
| 2. Nakuru | 0.383 (Ksh 95.7 Mn/Yr) | 4.623 | 2.1 % | 45 |
| 3. Nyamira | 0.576 (Ksh 200 Mn/Yr) | 1.415 | 14.1 % | 280 |
| 4. Siaya | 0.383 (Ksh 95.7 Mn/Yr) | 1.380 | 6.9 % | 95 |
| 5. Uasin Gishu | 0.383 (Ksh 95.7 Mn/Yr) | 1.818 | 5.2 % | 82 |
| 6. Vihiga | 0.383 (Ksh 95.7 Mn/Yr) | 0.912 | 10.5 % | 150 |
| 7. West Pokot | 0.383 (Ksh 95.7 Mn/Yr) | 1.211 | 7.9 % | 142 |
| Sub Total | 2.881 (Ksh 776 Mn / Yr) | 12.782 | 6.0 % | 106 |

Source: Annual County Governments Budget Implementation Review Report, FY2017/18

The audit queries raised were in regard to operationalization and implementation of the MES project. Specifically, audit findings show that there was ineffective and unlawful utilization of public funds allocated to implementation of the MES project. Some of the key audit queries flagged comprised:

- violation of the financial laws and regulations, including unlawful procurement processes;
- the total amount of the lease (rental payments deducted at the source) for the respective counties;
- lack of supporting documents; and
- no value for money.

Table 2 provides a summary of the queried amount⁴ for the MES project in the six respective counties. Of note is the significant and questionable amounts of funds deducted at source linked to varied violations as illustrated in *Box 2 to Box 9*.

From table 2, Nakuru, Siaya, Uasin Gishu, Vihiga and West Pokot counties had incurred Ksh 383 million each respectively from FY2015/16 to FY2018/19, representing an annual average of Ksh 95.7 million. Conversely, Nyamira incurred a total of Ksh 576 million, representing an annual average of Ksh 200 million, an indicator of either unclear variation in payments or the fact that the county was supplied with more equipment.

The queried amounts as a share of total health expenditure ranged from 2.1%, the smallest ratio for Nakuru, to the highest ratio of 14.1% for Nyamira County. Clearly, Nakuru is the outlier, given its comparatively significant spending on health, almost three times bigger than for each of the other six counties.

⁴ This refers to the amount relating to the audit queries (unlawful transactions) raised by the Office of the Auditor General during the audit process.

Notably, the queried amount does not mean that public funds were lost but denotes the magnitude of violations as well as the number of transactions that were not procedural. Ultimately, this implies that the higher the magnitude of the queried amounts as a share of county health expenditure the higher the risk of actual financial loss if not urgently addressed.

3.2.1 Memorandum of Understanding between the National and County Governments

Audit findings reveal that county governments entered into a contract with the national government on the MES project. This legal relationship between the two levels of government was facilitated by an MoU. For example, an excerpt from the audit reports for Uasin Gishu (see Box 2) indicates that the MoU was signed by the government on 24th February 2015. Nandi and West Pokot are the other County governments that signed the MoU. In the case of Nyamira, the MoU between its government and the national government was not provided for audit (see Box 2). There is however no explicit information on the MoU for the other three counties but it is likely that it exists as was confirmed by the CoG chair.

Box 2: Audit Query on Managed Equipment Services – Uasin Gishu County Government

2.0 Managed Equipment Services (Leasing of Medical Equipment)

The County Government of Uasin Gishu is allocated conditional grants amounting to Kshs.95,744,681 for year ended 30 June 2018 for leasing of medical equipment in accordance with section 5(1) (d) of the County Allocation Revenue Act, 2017. The funds are managed by National Government on behalf of the County in accordance with Section 5(4) of the Act. According to the memorandum of understanding between Uasin Gishu County Government and National Government signed on 24 February 2015. Ziwa Sub District Hospital was to receive theatre, theatre instruments/CSSD, renal and radiology equipment while Burnt Forest Sub District Hospital was to receive theatre, theatre instruments/CSSD and radiology equipment.

A review of delivery records and physical verification of equipment conducted in October 2018 revealed that Ziwa Sub District Hospital did not receive theatre equipment while radiology equipment meant for Burnt Forest Sub District Hospital was not delivered. Although letter Ref. No MOH/MES/ADMIN/VOL.III (2) dated 17 October 2018 from Ministry of Health indicates that theatre equipment initially allocated to Ziwa in the memorandum of understanding is located at Moi Teaching and Referral Hospital (MTRH), there was no documentary evidence availed to show that the equipment was delivered and acknowledged by MTRH management.

Further, theatre equipment delivered to Burnt Forest Sub District Hospital facility lacks a blood transfusion fridge for storage of blood and therefore theatre operation cases that require blood transfusion are referred to other facilities and therefore affects the effective use of MES equipment.

Consequently, the County residents have not received value for money incurred on the equipment that were delivered.

Source: Report of the Auditor General on Financial Statements for County Executive of Uasin Gishu

According to the MoU, the funds for the leasing agreement are part of the conditional grants as provided for in section 5(4) (d) of the County Allocation of Revenue Act 2017 (Republic of Kenya, 2017).

3.2.2 Payment for the Leasing Agreement

The leasing agreement provides for a conditional grant of Ksh 95 million annually per county, deductible at source (National Government). This is confirmed in the excerpt from the audit reports for Nyamira, *Box 3* is as follows.

Box 3: Audit Query on Managed Equipment Services – Nyamira County Government

5.4. Leased Medical Equipment

The County Executive has paid a total of Kshs.576,000,000 for the leased medical equipment.

The equipment for theatre, renal and radiology units have been leased to the County Executive by the National Government through the Ministry of Health. However, the following were noted:

- i. The agreement between the County Government of Nyamira and the National Government was not provided for audit.
- ii. The amounts being deducted at source by the National Treasury increased from Kshs.95,000,000 to Kshs.200,000,000 as from July, 2018. No explanation was provided for the increase.

Source: Report of the Auditor General on Financial Statements for County Executive of Nyamira

It is however important to note variations in the payment by counties from Ksh. 95 Million to Ksh 200 million as at July 2018, which is about double the agreed costs. There are no details to explain these variations. The import of the former is that despite counties making equal payment of Ksh. 95 million, they do not receive uniform sets of equipment. For example, there is a respondent who noted that Narok County received all the equipment under the MES project but Kajiado only received radiology and theatre equipment. The same respondent observed that this difference was politically driven and that it was against the principle of equity and fairness.

3.2.3 Lawfulness in the Management of the MES Project

This subsection provides cases on the extent to which implementation of the MES Project has adhered to the rule of law. According to the audit findings, across the seven counties the MES project has not been implemented fully in accordance with the law as shown below:



Box 4: Audit Query on Managed Equipment Services – Nandi County Government

8.0 Leased Hospital Equipment from National Government

The County Government signed a memorandum of understanding on 16 February 2015 between Nandi County Government and Ministry of Health - Kenya on provision of medical equipment and related services. The memorandum of understanding was signed by the then Governor and then Cabinet Secretary for health. The equipment signed for was in lots 1 - theatre equipment, lot 2 - theatre sterilization equipment, lot 5- renal dialysis equipment, lot 6 - intensive care unit equipment, lot 7- radiology /imaging equipment.

As at the time of audit in November 2018, the County Executive had paid a total amount of Kshs.390 million towards the lease of these equipment. However, audit verification revealed the following;

- i. The procurement process was done at national level and there was no information on the procurement process at the county Level.
- ii. The value of the equipment could not be ascertained and as such the basis of charging the lease rentals could not be ascertained.
- iii. Lot 6 – Comprising of intensive care unit equipment were not delivered despite being included in the memorandum of understanding. The County still has no intensive care unit services which at the moment.

A number of equipment had not been put to use as at the time of audit in November 2018 as summarized below:

| Equipment | Hospital where equipment was delivered | Reason for failure to use. |
|--|--|--|
| C-Arm | Kapsabet | Insufficient space in the theatre where the equipment should be used. |
| C Arm | Nandi Hills | Was to be used in maternity theatre but the necessary renovations in the theatre have not been done though the upgrade is ongoing. |
| X-Ray fixed Equipment | Kapsabet and Nandi Hills hospitals | Power has not been upgraded to the level required for the equipment to operate |
| Power backup equipment - Converters, UPS and Battery units | Kapsabet and Nandi Hills hospitals | Power has not been upgraded to the level required for the equipment to operate though the upgrade is ongoing. |

Source: Report of the Auditor General on Financial Statements for County Executive of Nandi

a. Lack of key supporting documents

Every public entity is required as provided in section 37(1) (a) of the Public Finance Management Act (PFMA), 2012 to provide supporting documents for the purposes of audit verification (Republic of Kenya, 2019). Furthermore, section 37(a) (ii) of the Public Audit Act,

2012 gives powers to the Auditor General to access books, records, returns, reports and other documents, including electronic documents, with respect to audits and examinations (Republic of Kenya, 2012).

While the legislation regarding the provision of the supporting documents is clear, findings by the Office of the Auditor General reveal the following:

i. Lack of documentation on the procurement processes at counties

Majority of the seven counties do not have documentation on the procurement processes for the leased medical equipment which was done at the national level (Republic of Kenya, 2019). Audit findings show that the procurement of the medical equipment was done at the national level and neither was the information on procurement documented at the county. One such example is Nandi County as illustrated in Box 4.

ii. Inaccessibility of the Intergovernmental Agreement on leasing

In some counties such as Nyamira, the agreement between the national government and the county government was signed but was inaccessible even to the Auditor General (Republic of Kenya, 2019). Further evidence is noted in Box 3.

iii. Lack of explanation on lease rentals

Explanation for the increase of the lease rentals, deductible at source, from Ksh 95 Million to Ksh 200 Million is missing in Counties such as Nyamira and West Pokot (Republic of Kenya, 2019). Box 2 and 5 provide further evidence on this. The implication of these findings is that the lease agreement could not be subjected for review as required under section 36 (c) of the Public Private Partnership Act, 2013. In addition, it means that counties and tax payers in general are not in a position to confirm the lease.

iv. Lack of specific details on medical equipment to be delivered

The MoU signed between the national government and the county governments through the Ministry of Health does not indicate the specific details of the medical equipment that were to be delivered under the scheme, as exemplified by County Government of West Pokot (Republic of Kenya, 2019) and also cited in Box 4.



Box 5: Audit Query on Managed Equipment Services – West Pokot County Government FY2015-16

2.1 Lease of Medical Equipment

The West Pokot County Executive during the year 2015/2016 received: renal, theatre, X-ray and autoclave equipment of undisclosed value between July 2015 and July 2016 under the medical equipment leasing scheme managed by the National Government. Audit review of equipment delivery records, service reports and physical verification done in January 2017 indicated that some of the delivered equipment were yet to be installed and put to intended use as indicated below due to lack of requisite infrastructural facilities such as suitable building structures and power connections:

| | Equipment | Health Facility | Delivery date | Installation date | Remarks |
|---|-----------|-------------------------------|---------------|-------------------|---|
| 1 | Renal | Kapenguria Referral | Jul-16 | | Equipment delivered but not yet installed and therefore not in use |
| 2 | Theater | Kapenguria Referral | Jun-15 | Jul-15 | Equipment delivered, installed and in use |
| | | Kacheliba Sub county hospital | | | No record to Indicate whether the hospital ought to have received theatre equipment |
| 3 | X-ray | Kapenguria Referral | Feb-16 | Mar-16 | Equipment installed and in use |
| | | Kacheliba Sub county hospital | Oct-15 | Oct-15 | Equipment delivered, installed and in use |
| 4 | Autoclave | Kapenguria Referral | | | Equipment delivered, installed and in use |
| | | Kacheliba Sub county hospital | | | Equipment delivered, installed and in use |

The memorandum of understanding signed by the West Pokot County Executive and the National Government through the Ministry of Health does not however Indicate specific details of the medical equipment that were to be delivered to the county under the scheme.

Consequently, it was not possible to ascertain if all the medical equipment under the scheme were delivered. In addition, lack of appropriate infrastructure including buildings and power has denied the people of West Pokot the medical services they were to get if the equipment were operational.

Source: Report of the Auditor General on Financial Statements for County Executive of West Pokot 2015/16

v. Unsupported medical equipment leasing

By November 2018 Nyamira, Nandi and West Pokot County had been deducted Ksh 576 million, Ksh 390 million and Ksh 287 million respectively by the National Treasury, being cumulative lease rentals since 2015 (see *Box 2, 3 and 5*). The deductions are being executed without existence/provision of an intergovernmental agreement in line with Article 187 of the Constitution. Failure of the audit verification of the agreement compromises the lawfulness of the lease rental payments (see *Box 5 and 6*).

Box 6: Audit Query on Managed Equipment Services – West Pokot County Government/2017-18

5.0 Management Equipment Services(MES)

The National Government leased medical equipment to the County Executive of West Pokot in the year 2015 under the Management Equipment Services (MES) agreement. According to the agreement, the County Executive was to contribute an amount of Kshs.95 744,681 annually as lease rentals for the machines. The amount was to be deducted directly by the National Treasury from the equitable revenue share of the County. As at 30 June 2018, a total of Kshs.287,234,043 had been deducted for the three financial years. However, a copy of the lease agreement was not availed for audit review and to confirm terms of the lease.

A physical verification of the machines at Kapenguria Referral Hospital in November 2018, confirmed that the renal machine was installed in the year 2015 but it has never been used. The management has not provided explanations in regard to non-functioning of the machine. Further, the Digital X- ray unit- Brivo DRF was installed but it could not function due to lack of power connection. Similarly, HCIT Equipment was delivered but not yet installed and the CT Scan is yet to be delivered.

In the circumstances, the county executive did not obtain value for money on the leased rental contributions of Kshs.287,234,043.

Source: Report of the Auditor General on Financial Statements for County Executive of West Pokot 2017/18

Box 7: Audit Query on Managed Equipment Services – Siaya County Government/FY2017-18

10. Unsupported Medical Equipment Leasing

According to Section 5(1) e on conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule, Kshs 95,744,681 was included in the budget estimates but no Intergovernmental agreement in line with Article 187 of the Constitution was made available for audit verification.

In consequence, the medical equipment leasing expenditure of Kshs.95,744,081 had not been supported as at 30 June 2018_

Source: Report of the Auditor General on Financial Statements for County Executive of Siaya County 2017/18

vi. Unsupported payments for specific medical equipment

Payments for the specific equipment has not been supported by relevant documentation which is necessary in conducting due diligence. The actual cost of the equipment could not be verified and neither is the actual amount paid to the suppliers, thus inhibiting determination of value for money. In addition, specific terms and conditions regarding the supply and payments have not been disclosed (see Box 7).



Box 8: Audit Query on Managed Equipment Services – Nakuru County Government/FY2017-18

9.2 Unsupported Payments

9.2.1 Medical Equipment Supply (MES) Project

Records provided for audit review confirmed that Nakuru County government signed a Memorandum of Understanding (M.O.U) with the Ministry of Health on implementation of Health Care Information Technology (HCIT) component. In the year under review the County Government under Ministry of Health budgeted Kshs.95,744,681 under conditional for leasing of medical equipment. Although, records provided for audit review showed receipt of equipment in Nakuru Provincial General and Naivasha hospital, it is not clear how much the supplier has been paid for these equipment to date, the cost of leasing these equipments, its terms and conditions and the lease period also remained unknown. In addition, budgetary allocation in respect of MES Project is being done every year, instead of doing a consolidated budget once in a year as per the regulation and any outstanding claims to be disclosed in the pending bill as outstanding commitments. Further, the details of payments for leasing of equipment were not provided for audit verification. In the circumstance, the budget for Kshs.95,144,681 could not be justified.

Source: Report of the Auditor General on Financial Statements for County Executive of Nakuru County 2017/18

b) Irregular Accounting

i. Exclusion of conditional allocation in the budget estimates

Audit findings reveal that Vihiga County failed to include the conditional allocation (lease rental deductions at source) in the budget estimates (see Box 9).

ii. Annual budget allocation instead of consolidated budget

Financial records in counties such as Siaya show budgetary allocations in respect of the MES project on an annual basis contrary to the public accounting principles and regulations, which require entry of a consolidated budget once in a year and in addition disclosing any outstanding claims in the pending bill as outstanding commitments (see Box 7). In effect, these two examples of irregular accounting hinder fiscal transparency and oversight.

Box 9: Audit Query on Managed Equipment Services – Vihiga County Government/FY2017-18

2.0 Use of Goods and Services

2.1. Leasing of Medical Equipment

The statement of appropriation recurrent and development combined reflect budgeted total revenue of Kshs.5,582,242,383 which excludes conditional grant of medical equipment allocation. Further, according to County Allocation of Revenue Act, No. 23 of 2017, section 5(1) e on conditional allocations for leasing of medical equipment as set out in Column F of the Second Schedule, Kshs.95,744,681 was to be included in the budget estimates according to Intergovernmental Agreement in line with Article 187 of the Constitution. In addition, no Intergovernmental Agreement on leasing of medical equipment was availed for audit verification.

Consequently, the County Executive management was in breach of the law and the value for money and supply, and use of leased medical equipment could not be determined.

Source: Report of the Auditor General on Financial Statements for County Executive of Vihiga County

3.2.4 Status of the Delivery of Medical Equipment under the MES project

Synthesis of various issues of government reports as summarized in Table 3 shows the status of supply of the different set of medical equipment categorized into Lot 1 to Lot 7 and matched to the targeted beneficiaries. Although the target timelines for delivery of the medical equipment per Lot was not mentioned in any of the available reports that we reviewed, the status of equipment supplied by 2015/16, end of 2017 and most recently in 2018/19 was mentioned.

Table 3: Summary of implementation/delivery of Medical Equipment by Lots

| | Target* | 2015/16 | End of 2017 | 2018/19 |
|--|---|---------|-------------|---------|
| Lot 1: Theatre equipment | 98 hospitals at both sub-county and county referral hospitals | 69 | NI | NI |
| Lot 2: Surgical and CSSD (sterilization equipment and theatre instruments) | 98 hospitals at both sub-county and county referral hospitals | 87 | 96 | 98 |
| Lot 3 | No information provided | NI | NI | NI |
| Lot 4 | No information provided | NI | NI | NI |
| Lot 5: Renal dialysis equipment | 49 hospitals at county referral and 2 national referral hospitals | 26 | 39 | 49 |
| Lot 6: Intensive care Units (ICU) | 11 former national and provincial hospitals | 3 | 9 | 11 |
| Lot 7: Radiology | 86 hospitals at both sub-county and county referral hospital and 4 national hospitals | 84 | NI | NI |

Note * means that no timelines were mentioned from various reports that were reviewed.

NI - No Information Provided

Specifically, in 2015/2016 the reports note that the Ministry had completed about 76% of the project. On the contrary, a quick estimate as captured in the Table 3 shows that the completion rate works out to about 67.4%. It is not clear how the reports concluded that the completion rate was 76%.

Further, a report from the Head of Delivery in the Office of the President showed that by the end of 2017, about 96 hospitals had received surgical and radiology equipment, 39 had dialysis machines installed while 9 had brand new ICU facilities. Some of the reported key successes of the programme as highlighted by the aforementioned government official are listed below:

1. the number of hospitals that now offer dialysis has shot up to 49 from 5 in 3 years;
2. ICU hospital beds in public hospitals have increased from 50 to 116 while High Dependency Unit (HDU) beds have increased from 30 to 63 in the corresponding period;
3. most services offered under the MES programme are subsidized, meaning that the costs incurred by patients are much lower than the prevailing market rates;
4. skills transfer - more than 750 medical professionals have undergone extensive training in the operationalization of the equipment; and



5. Government is set to realize savings from equipment purchases, training, maintenance costs that have burdened it for years thus crippling the service delivery in public hospitals.

Of note is that recent Ministry of Health reports show that to date, all the 98 hospitals have been fitted with theatre and radiology equipment while 49 have been supplied with renal equipment and 11 have ICU equipment. This gives a picture of 100% completion rate in terms of delivery of medical equipment by the different lots.

Nevertheless, the next section provides examples of audit findings that tell a different story. On one hand, where medical equipment was delivered, audit findings show cases of underutilization of some equipment due to various reasons noted in the next section. On the other, there are findings that reveal failure of delivery of some medical equipment altogether.

3.2.5 Cases of No Value for Money

The consequences of the violations noted in the previous sections imply that the value for money could not be ascertained with regard to the medical equipment delivered but remain idle or those that have been paid for but not delivered. Below are some examples of the two cases.

a. Underutilization of the delivered medical equipment

- i. Box 2 shows that in Uasin Gishu County theatre equipment was delivered and installed in Burnt Forest Sub District Hospital. However, audit review in October 2018 established that the equipment was not effectively being utilized due to lack of a blood transfusion fridge for storage of blood (Republic of Kenya, 2019). What this means is that Uasin Gishu County is underutilizing the equipment despite having 4,915 reported cases of road traffic injuries in 2017 and 5,345 reported cases of burns in which persons below 5 years accounted for 38% (KNBS, 2018).
- ii. C-Arm equipment delivered in Kapsabet and Nandi Hills in Nandi County were not being used as at November 2018. The reason for underutilization of this equipment in Kapsabet was insufficient space in the theatre room while for the case of Nandi Hills, the maternity theatre in which the equipment was to be installed was still undergoing upgrading. This is a missed opportunity in reducing home birth deliveries, which account for 38.9% of all modes, according to the household budget survey of 2015/16 (KNBS, 2018).
- iii. Despite the renal equipment having been delivered by July 2016 in Kapenguria Referral Hospital in West Pokot County, a physical verification done in November 2018 indicated that it was installed but has remained idle. There was no clear explanation why the machine was not in use. This presents a high opportunity cost for the county with 16,898 cases of urinary tract infection (UTI) in 2017 of which 95% are persons above 5 years of age (KNBS, 2018).

Some medical equipment is yet to be utilized in other counties, including Baringo, Kericho, Turkana and Vihiga, as noted in other media reports owing to lack of infrastructure, space (for example, lack of installation rooms for CT scan) and personnel to operate the machines. Moreover, despite having an existing ICU wing, lack of oxygen and specialized doctors to operate radiology machines rendered them unutilized in Eldama Ravine and Kabarnet sub counties of Baringo County. As a consequence, patients who were seeking specialized treatment were referred to hospitals in the neighboring counties of Nakuru and Uasin Gishu. These were among some of the issues flagged by

some governors and the Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU) as they also questioned the pace of implementation of the MES project.

b. Failure on delivery of Medical Equipment

- i. A review of the delivery records and physical verification of the equipment by the auditors at the counties revealed that some equipment had not been delivered within the required time in some counties despite deductions of the lease rentals having been made at source. For example, as shown in Box 2, theatre and radiology equipment had not been delivered in Uasin Gishu County by October 2018 (Republic of Kenya, 2019).
- ii. Similarly, in Nandi County an audit verification (see Box 4) on November 2018 revealed that Lot 6 medical equipment which comprised ICU equipment had not been delivered despite have been included in the MoU (Republic of Kenya, 2019). This is notwithstanding the fact that the County does not have ICU services. This raises value for money questions on the lease rental payment of Ksh 390 Million.
- iii. Moreover, by November 2018 a CT scan machine had not yet been delivered in Kapenguria Referral Hospital despite the Ksh 287 Million total deductions having been done as rental payments for the supply of the various Lots of the medical equipment, including the CT scan. Prompt delivery would have come in handy in providing services for the 8,467 reported cases of respiratory diseases for children below the age of 5 years and the 88,675 cases of upper respiratory tract infections for the children under the same age category in West Pokot County (KNBS, 2018).





4.0 Recommendations

i. National and county governments should foster an intergovernmental framework approach for undertaking an evaluation and reconfiguration of the MES Project

County governments should undertake a mid-term evaluation of the MES Project to understand implementation challenges. In turn, they would use the findings of the evaluation to engage with the national government in an intergovernmental framework on remedies and fashion reforms on what needs to be put in place to ensure better service delivery. This would ensure that citizen get value for money upon utilization of public funds in this project.

ii. Need for Special Audits of the MES Project

Related to the point (i), there is need for the Office of the Auditor General to conduct special audits and in particular comprehensive performance audits/value for money audit of the MES project which will serve as mid-term evaluation. The objective of these audits is to assess whether county government spending on leased medical equipment is promoting prudent use of funds, achieving set targets and improving systems. The audits would inform the design of appropriate corrective measures before the lapse of the MES project.

iii. Redistribution of medical machines

Despite counties making annual payments, audit findings revealed cases of no value for money with suboptimal utilization of machines and failure of delivery of medical equipment. This implies poor service delivery results. In order to remedy this situation, there is need for a redistribution of machines and informed by the evaluation exercise earlier mentioned based on availability of medical personnel and supporting infrastructure as well as health needs. As a result, the lease payments should be revised accordingly.

iv. Transparency of the MES Project

According to the Public Private Partnership Act (PPPA), 2013, the Public Private Partnerships (PPP) Unit, which hosts the contracting authority of PPPs, should act as a resource center on matters relating to PPPs. Currently, information regarding the MES Project is not publicly available, four years into its launch.

Furthermore, a publication of approved projects is a requirement from the contracting authority. This PPP Act, 2013 mandates that the contracting authority shall upon the execution of a project agreement by the parties, publish in at least two newspapers with wide circulation and in the electronic media the results of the tender together with the nature of the project, its scope, its



cost and tariff, duration and the successful bidder. Most of this information has however not been published to date. Oversight institutions then ought to compel the Executive to avail the documents and if necessary invoke sanctions as provided for in the law.

v. Strengthen PFM and Audit Systems to enhance transparency and accountability

Strong systems will improve recording and reporting. Therefore, the national and county governments should invest in strengthening PFM and audit systems at respective counties so as to improve recording and reporting of financial transactions and preparation of important supporting documents. Furthermore, internal control systems should be strengthened to complement external audit. On the latter, the county government should follow up and address audit findings for corrective measures.

Other specific concerns related to implementation of the MES Project raised include: that for such a PPP model to work, the law should be clear on how to deal with it and overall regulation should be strengthened to mitigate the risk of conflict of interest, the possibility low-skilled health resource personnel operating some of the specialized health equipment, and mutual mistrust between the national government and the county governments and so on.





5.0 Conclusion

The MES as an emerging health financing option is a timely and indeed noble project for scaling up specialized health infrastructure, especially on the face of government fiscal constraints. The expectation was that this project would go a long way to relieve the government of the pressure to spend funds upfront for purchase of medical equipment. In turn, this would ensure that those seeking specialized health care did not have to pay exorbitantly for medical care.

However, study findings indicate that a number of factors negatively impacted overall implementation of the MES Project, leading to poor service delivery results. The design of the MES project, for example, was not informed by a comprehensive disease burden and health infrastructure needs assessment, given that counties are not homogenous. Besides, lack of transparency on the entire project with regard to the terms and conditions of the contract and poor regulation of this typical PPP project increases financial and corruption risks. This has made the project a burden to taxpayers.

There is need for further evaluation and reconfiguration of the project before it lapses to ensure that citizen actually receive value for investment in terms of better health outcomes. Otherwise as the project currently stands, its contribution towards realization of UHC will be a mirage.





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