



Institute of  
Economic Affairs

# 8 Facts on the Medical Equipment Leasing Project in Kenya

## Introduction

The country has recently experienced a rise in cases of non-communicable diseases as well as cases of injuries from traffic accidents. This coupled with inadequate medical personnel and low specialized health infrastructure owing to the reality of fiscal constraints has partly been the Achilles' heel in Kenya's health sector.

In response to these challenges, the government of Kenya launched the medical equipment leasing project often termed as the Managed Equipment Service (MES) for scaling up specialized health infrastructure. This project is on one hand expected to enhance geographical access to specialized health care services by Kenyans and on the other hand make it more affordable.

This brief<sup>2</sup> first debunks what the MES project is about and further presents some facts based on value for money assessment. This is summed up by presentation of some key messages for action by the government of Kenya.

## What is the MES Project?

The MES Project – is an agreement between the national government and county government where 6 global medical firms<sup>3</sup> have been contracted to supply, install, train users and offer maintenance and repairs of diagnostic medical equipment.

In return and as opposed to outright purchase, the national government is supposed to make regular payments, per year for a period of seven years since its launch in 2015. These payments are done through deductions from county government as beneficiaries of the project.

The overall objective of this project is to scale up health infrastructure for specialized medical care in dialysis, basic and advanced surgery, emergency, maternal-child health, critical care and imaging services.

Under this project, at an estimated cost of Ksh 38 billion, 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. (see figure 1). It is the responsibility of each of the county governments to select the beneficiary health facilities.

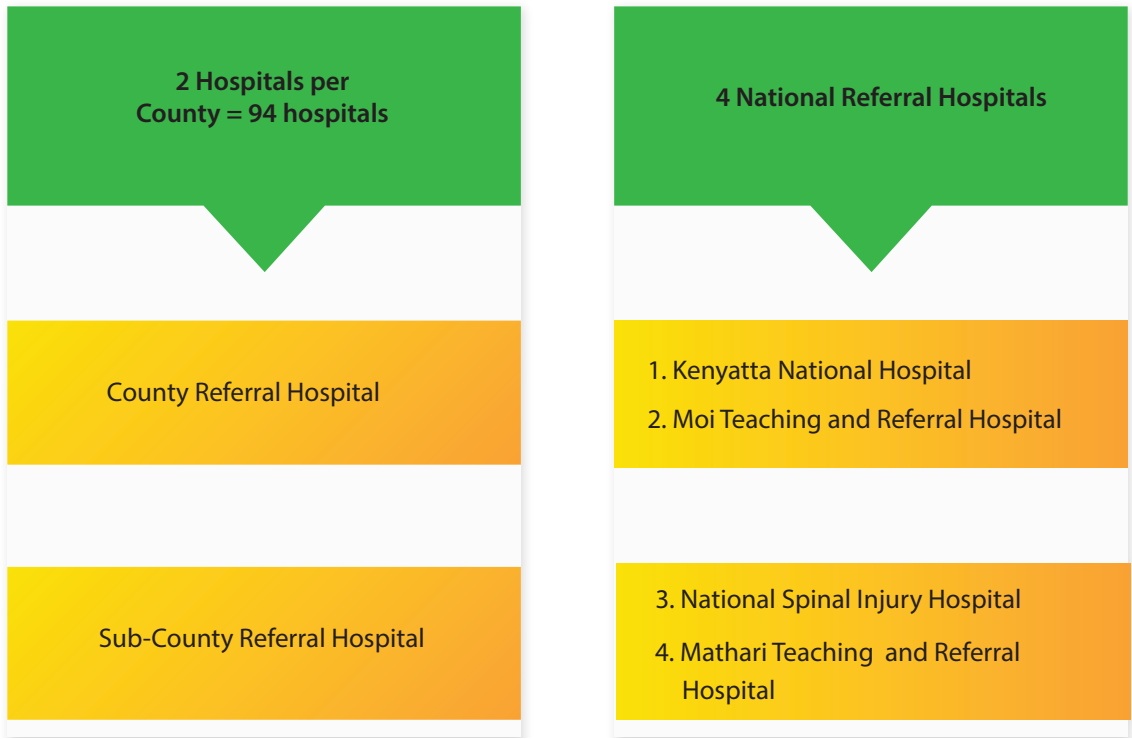
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<sup>1</sup>MES- Managed Equipment Services, the term often used to refer to the leasing of medical equipment project

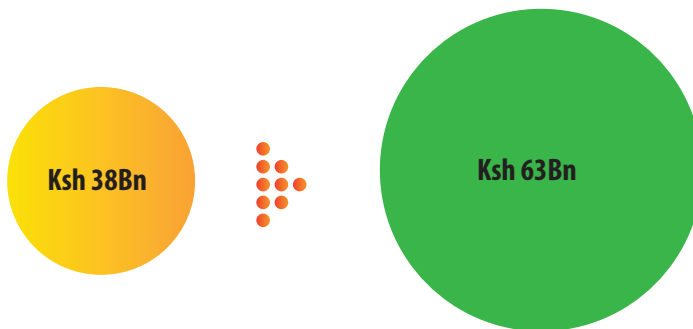
<sup>2</sup>Based on study undertaken by the IEA-Kenya on Leasing of Medical Equipment Project in Kenya: Value for Money Assessment

<sup>3</sup>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

**Figure 1: Beneficiary Health Facilities of the MES Project**



**#1: Hidden costs as a result of lack of clarity and gaps in project design and variations in project costs will fall disproportionately to the Counties**

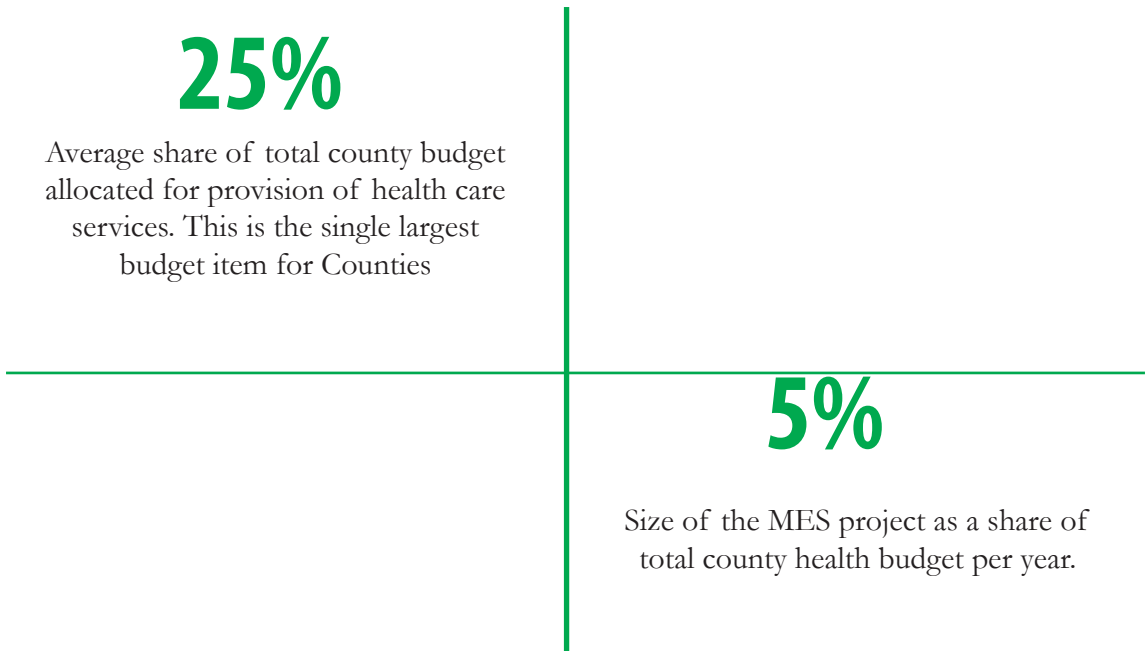


- Beyond supplying, installing and training users as well as providing repair and maintenance, services are insurance costs, for example, factored in the total project cost.
- Is this increase attributed to additional, 21 beneficiary County health facilities or is it linked to purchase of additional accompanying equipment, exchange rate fluctuations and cost of technology to network the entire MES project through the existing health information system?
- Implication: County government will pay more. Lack of clarity and gaps in the MES project may imply that the burden of hidden cost will fall disproportionately to the county
- Who will own the machines after lapse of the project in the financial year 2020/2021?

**#2: Design of the MES project is not informed by a comprehensive health needs assessment and consultations**

Counties are not homogenous in terms of their medical priorities and needs as well and on the level of medical equipment available yet the MES project adopted a “one size fits all” approach in supply of medical equipment.

**#3: MES project budget share in total county health budget is small. However, it is significant given that the health sector is the single largest budget item for counties.**



Audit findings revealed that the lawfulness and accuracy of expenditure of Ksh 4.57Billion on the MES project spent in each year for the period 2015/16 to 2017/18 is not verifiable due to lack of supporting documents.

Some of the supporting documents that were not availed during the audit process by the Office of the Auditor General include; the MES project Contract, Attorney General’s opinion, the procurement and progress reports.

**#4: Memorandum of Understanding between the National and County Governments exist for majority but not all the 47 counties**

Audit findings showed that a number of counties, Uasin Gishu, Nandi and West Pokot signed the MoU on 24th February 2015. However, for a County like Nyamira the MOU was not provided for audit and information on whether MoU exist in the other counties that had audit queries on the MES was not explicitly mentioned.

## #5 Equal payments for lease agreement by Counties for non-uniform set of medical equipment

Counties payment of Ksh 95 million per year ≠ delivery of uniform set of medical equipment.

## #6: Numerous audit queries raised on unlawful transaction and management of the MES project

Lack of Key Supporting Documents	Irregular Accounting
1. lack of documentation on procurement process at Counties	1. Exclusion of conditional allocation in the budget estimates
2. Inaccessibility of Intergovernmental Agreement on leasing	2. Annual budget allocation instead of consolidated budget
3. lack of specific details on medical equipment to be delivered	
4. Lack of explanation on lease rentals	
5. Unsupported medical equipment leasing	
6. Unsupported payments for specific medical equipment	

## #7: Status of the Delivery of Medical equipment under the MES project reported as 100% but...

### 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

Source: Synthesis based on various issues of RoK, Health Sector Working Reports and other government reports

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

Ni –No information provided

On paper and based on Ministry reports, the picture is 100% delivery of medical equipment by the different lots as shown in the table above.

## BUT

### #8: Findings from Auditor General's County Report show various cases of no value for money that portend opportunity cost in improving health outcomes

a

Underutilisation of delivered medical equipment - due to lack of personnel to operate machines and lack of supporting infrastructure. Eg. In Uasin Gishu -theatre equipment was delivered and installed in Burnt Forest Sub-District Hospital. However, during audit review in October 2018 equipment was not effectively being utilized due to lack of blood transfusion fridge for storage of blood. Similar stories in *Nandi, Vihiga, Baringo, Turkana*

b.

Machines paid for but not delivered  
Eg. Audit verification in West Pokot showed that in Kapengurai Referral Hospital despite deduction of Ksh 287Million as lease rental payments, CT scan machines had not yet been delivered. Similar stories in Uasin Gishu with regard to radiology equipment and in Nandi regarding ICU equipment.

### Key Messages

1. National and county governments should foster an intergovernmental framework approach for undertaking an evaluation and reconfiguration of the MES Project
2. Need for Special Audits of the MES Project
3. Medical equipment should be redistributed informed by evaluation and audit of the MES project
4. Adhere to transparency of the MES Project in conformity with the Public Private Partnership Act, 2013
5. Strengthen PFM and Audit Systems to enhance transparency and accountability



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