



PARLIAMENT OF KENYA
THE SENATE

The Managed Equipment Service (MES) Project

BRIEF AND SUGGESTED QUESTIONS

A. INTRODUCTION

1. Managed Equipment Service (MES) project refers to a flexible, long-term contractual arrangement that involves outsourcing the provision of specialized, modern medical technology and equipment to private sector service providers (“MES Provider”).
2. The project comprises 7-year contracts between the Ministry of Health and various contractors for the supply, installation, maintenance, replacement and disposal of various equipment, as well as training and reporting for the entirety of the contract period.
3. The programme, which is now in its fourth year, has been implemented in 98 hospitals across the 47 counties, with a focus on theatre, central sterile services department (CSSD), renal, ICU and radiology equipment.
4. The **total tender sum** for the MES Program amounts to USD **432,482,160.00** paid in **quarterly installments** of USD **15,445,790.00**. The amount that has been paid to date is USD **181,711,277.84**. A balance of USD **287,850,780.00** remains.
5. Contracts under the MES project were signed on 5th February, 2015 by the Ministry of Health, respective counties and the MES provider(s).
6. Initially, counties were paying KShs. 95M annually under the scheme. This figure has since been revised upwards to KShs. 200M, representing a

cumulative figure of KShs. 9.4B per year up from KShs. 4.5B. These monies are deducted directly from county allocations and paid to private suppliers by the National Treasury.

7. The term of the MES contract is seven (7) years with a possibility of an extension for an additional three (3) years.

B. BACKGROUND

8. In February 2015, the Ministry of Health awarded leasing agreements for the provision of specialized medical equipment to counties worth KShs. 38 Billion.
9. According to the Ministry of Health, the type of equipment prioritized under the MES project was informed by a Needs Assessment conducted in March 2014. Following the assessment, seven categories (LOTS) of equipment were prioritized as follows:

LOT No.	Item
1	Theatre equipment
2	Theater, CSSD equipment
3	Laboratory equipment (Category 1)
4	Laboratory equipment (Category 2)
5	Renal equipment
6	ICU equipment
7	Radiology equipment

10. Leasing contracts under the MES agreements were awarded to the following firms:

- a) **Shenzhen Midray Bio-medical LTD of China** – Lot 1 dealing with Theater equipment- with 96 hospitals expected to be fully fitted with theater equipment
 - b) **Esteem Industries Inc of India** – Lot 2 dealing with CSSD and surgical equipment – with 96 hospitals expected to be equipped with sterilizing equipment complete with surgical sets for all operations.
 - c) **Bellco SRL of Italy**- Lot 5 dealing with Renal and Dialysis machines. % dialysis machines to be provided for each of the 47 Counties and 2 national referral hospitals
 - d) **Phillips Medical Systems of Netherlands** – Lot 6 dealing with ICU equipment. 11 Hospitals to be equipped with ICU facilities
 - e) **General Electric of USA** – Lot 7 dealing with radiology equipment where 98 hospitals are expected to be equipped with digital X-ray, ultrasound and other imaging equipment.
11. The project was implemented in all the forty-seven counties with two hospitals in each county receiving equipment, in addition to four national referral hospitals.
12. The scope of services offered under the MES contracts included:
- a) Fitting out works to the rooms designated for equipment
 - b) During the term, replacement of old infrastructure, furnishings and fittings
 - c) Supply of equipment
 - d) Delivery and instalment of equipment
 - e) Testing of equipment
 - f) Commissioning of equipment
 - g) Maintenance (both scheduled and reactive)
 - h) Repairs and replacement of spare parts
 - i) Upgrading of equipment software

- j) Supply of consumable and reagents
 - k) Insurance over the equipment
 - l) Replacement of equipment upon expiry of its useful lifespan
 - m) Decommissioning of equipment
 - n) Training of staff using the equipment in the hospitals
13. Further, as per the original agreement, recurrent costs such as supply of consumables and reagents as well as equipment maintenance and replacement of spare parts were to be covered at no additional cost to the facilities.
14. Despite several accountability and transparency issues raised by counties, counties were compelled to pay KShs. 95M per annum for the project. Counties argued that the requirement to include the KShs. 95M in their budgets had adversely affected their budget ceilings. This figure has since been revised upwards to KShs. 200M.
15. In the 2018 Budget Policy Statement, the government indicated an intention to equip 21 hospitals with specialised equipment under the MES project as part of support initiatives towards UHC. In its report, the Senate Standing Committee of Health stated that the Ministry should provide a detailed implementation plan of the extended MES program with details of the hospitals that were set to benefit. In addition, the Committee observed the need for the Ministry to provide requisite technical support and capacity building to counties.
16. General concerns which have been raised with respect to the project include (but are not limited to): lack of requisite infrastructure and support systems for the equipment in some counties, lack of full disclosure by the Ministry on the contract details, lack of specialised health personnel to operate the equipment, high charges for the specialised services being provided following the installation of the MES equipment, under-utilization of installed equipment, lack of adequate consultation between the national and county governments with some facilities receiving equipment that had already

been provided by the county government, lack of access to consumables in contravention to the MES agreement etc.

C. FINANCIAL COMMITMENTS TO THE MES PROJECT

17. The total tender sum for the MES Program amounts to USD 432,482,160.00 paid in quarterly installments of USD 15,445,790.00. The amount that has been paid to date is USD 181,711,277.84. A balance of USD 287,850,780.00 remains.
18. In addition, counties, which were previously paying KShs. 95M annually under the scheme, are now expected to pay KShs. 200M. This represents a cumulative figure of KShs. 9.4B per year up from KShs. 4.5B. These monies are deducted directly from county allocations and paid to private suppliers by the National Treasury.

D. FUNCTIONALITY STATUS

- E. Four years after the launch of the Programme, MES equipment services remain unused in some facilities across the counties. Notably, renal equipment is in use in only 44 out of the 49 earmarked facilities in which it has been installed. Counties in which this equipment remains unused include Lamu, Mandera, Tana River Wajir and West Pokot. This has been attributed to lack of requisite staff and inadequate water and electricity
- F. The same goes for theatre equipment, which is in use in only 92 out of the 96 earmarked facilities. Counties in which this equipment remains unused include Busia, Elgeyo Marakwet, Samburu and West Pokot. This has been attributed to lack of requisite staff and inadequate water and electricity.
- G. Radiology equipment has been installed in all the 97 out of 98 facilities for which it was earmarked. However, of this, 19 counties remain unable to benefit from the services owing to a variety of reasons including lack of requisite staff and insufficient water and electricity. These counties include: Bomet, Busia, Elgeyo Marakwet, Isiolo, Kakamega, Kitui, Kwale, Makueni, Meru, Migori, Narok, Nyamira, Samburu, Siaya, Tana River, Tharaka Nithi, Trans Nzoia, Turkana and West Pokot.

H. With the exception of ICU and CSSD services, various equipment installed under this programme are not in use in at least half of the counties across this nation. Of the actions the Ministry says it has taken, most involve mere discussions with the affected counties to employ the required staff, provide water and upgrade power.

I. ISSUES FOR CONSIDERATION

19. ***The variation of contract:*** Counties are now expected to pay KShs. 200M for the scheme up from KShs. 95M. This represents a variation of contract of more than 100% in contravention of public procurement rules and regulations.
20. ***The application of the flat figure of KShs. 200M:*** Counties did not receive uniform equipment under the project. This puts counties that had received less support at a distinct disadvantage from those who had received proportionately more support.
21. ***Exaggerated costs*** of equipment supplied in comparison to prevailing market rates.
22. ***Lack of full disclosure by the Ministry on the contract details:*** Some facility heads are not fully aware of the exact equipment they expect to benefit from. As such some MES providers are suspected to have supplied incomplete sets of equipment to facilities.
23. ***Lack of specialized health personnel*** to operate the machines is the biggest challenge facing the facilities in relation to the implementation of the MES project
24. ***Lack of adequate consultation between the National and County Government.*** Some counties had or were scheduled to receive equipment that already existed in the facility and were therefore of low priority. This clearly indicates a lack of consultation between the two levels of Government as relates to what indeed is the priority for each County. For example in Kericho, a facility had acquired a total of three autoclaves in the last two years: one each from National and County initiatives, and the MES programme.

25. **Recurrent costs:** As per the original agreement, recurrent costs such as supply of consumables and reagents as well as equipment maintenance and replacement of spare parts were to be covered at no additional costs to counties. However, following the implementation of the project, counties were informed that only a start-up kit would be provided.
26. **Sustainability:** Under the current PFM Act, there exist several bottlenecks to facilities accessing Facility Improvement Funds (FIF). In order to ensure the long-term sustainability of the MES project, it is necessary increase the financial autonomy of hospitals and other health facilities.
27. **Underutilization** of the installed equipment in some facilities.

SUGGESTED QUESTIONS

1. Have the monies for the MES project been allocated to the counties? (Monies are deducted directly from county allocations and paid to private suppliers by the National Treasury. The Ministry should show proof that the monies for the initial payment (95M) and the subsequent updated payment (KShs. 200M) were factored into the disbursement schedule).
2. Did each county receive initial official communication on what they expected to pay for the project? If so, may you kindly produce this communication?
3. Was official communication on the subsequent increment sent to the counties? If so, may you kindly produce this communication?
4. The increment represents a 100% variation from the initial contract. What was the justification for making the increment?
5. Was a Needs Assessment/Feasibility Study conducted prior to launching the MES project?
6. Does the equipment installed correspond to the actual needs of the counties?
7. Have counties received full disclosure on the contracts that were entered into on their behalf with the equipment manufacturers? If so, kindly show proof.

8. Can you kindly confirm the full scope of services that are to be expected under this project? Does it include recurrent costs such as the supply of consumables and reagents?
9. Can you kindly produce a status of deployment of equipment to each county with documentation of receipt? Was a schedule of all the equipment shared with the counties? Kindly share this.
10. What is the functionality status/utilization of MES equipment in the counties?
11. Various equipment installed under this project remain unused in at least half of the counties across this nation. Why is this so, and why are the affected counties still being compelled to pay for them?
12. A flat rate figure has been applied across all the counties despite the fact that not all counties received the same equipment. Why is this so?
13. The MES Project is already in its fourth year. What is the government's plan at the end of the lease period? What will happen to the equipment at the lapse of the seven (7) years? Who will cover the cost of the residual value of the leased equipment? Has this cost been factored into the MTEF?