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RESTRUCTURING PAPER  
ON A  
PROPOSED PROJECT RESTRUCTURING  
OF  
TRANSFORMING HEALTH SYSTEMS FOR UNIVERSAL CARE  
APPROVED ON JUNE 15, 2016  
TO  
REPUBLIC OF KENYA

HEALTH, NUTRITION &amp; POPULATION

AFRICA EAST

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**I. BASIC DATA**

**Product Information**

Project ID P152394	Financing Instrument Investment Project Financing
Original EA Category Partial Assessment (B)	Current EA Category Partial Assessment (B)
Approval Date 15-Jun-2016	Current Closing Date 30-Sep-2021

**Organizations**

Borrower Republic of Kenya	Responsible Agency Ministry of Health
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**Project Development Objective (PDO)**

Original PDO

The project development objective is to improve utilization and quality of primary health care services with a focus on reproductive, maternal, newborn, child, and adolescent health services.

Current PDO

The project development objective is to improve utilization and quality of primary health care services with a focus on reproductive, maternal, newborn, child and adolescent health services and to provide immediate and effective response to an eligible crisis or emergency .

**Summary Status of Financing (US\$, Millions)**

Ln/Cr/Tf	Approval	Signing	Effectiveness	Closing	Net		
					Commitment	Disbursed	Undisbursed
IDA-58360	15-Jun-2016	04-Jul-2016	29-Sep-2016	30-Sep-2021	150.00	112.14	36.36
TF-A2561	15-Jun-2016	04-Jul-2016	29-Sep-2016	30-Sep-2021	40.00	27.91	12.09
TF-A2792	15-Jun-2016	04-Jul-2016	04-Jul-2016	30-Sep-2021	1.10	.69	.41



## Policy Waiver(s)

Does this restructuring trigger the need for any policy waiver(s)?

No

## II. SUMMARY OF PROJECT STATUS AND PROPOSED CHANGES

### A. PROJECT STATUS

1. The Transforming Health Systems for Universal Care Project (THS-UCP, P152394) includes a credit for an equivalent of US\$150.0 million (Credit IDA-5836-KE; P152394) approved on June 15, 2016, an additional US\$40.0 million grant from the Global Financing Facility (GFF) Trust Fund (TFOA2561) approved on April 27, 2016, and a US\$1.1 million grant from the Japan Policy and Human Resources Development (PHRD) Trust Fund (TFOA2792) approved on June 7, 2016. The Project became effective on September 29, 2016. The Project closing date is September 30, 2021. The project development objective (PDO) is to improve utilization and quality of primary health care services with a focus on reproductive, maternal, newborn, child and adolescent health services and to provide immediate and effective response to an eligible crisis or emergency.
2. A Level II restructuring (Report No: RES32133) was carried out in May 2019 after the Mid-Term Review (MTR) held from March 25 to April 5, 2019 and introduced project design adjustments aimed at addressing implementation bottlenecks and aligning the project activities with the Government of Kenya's (GoK) Universal Health Coverage (UHC) agenda, including a reallocation of US\$14 million from Component 3.1 to Component 2.3. Subsequently, a second Level II restructuring (Report No. RES38960) was carried out in January 2020 to include a Contingency Emergency Response Component (CERC) to the Project with an allocation of US\$1.0 million (funds reallocated from Components 2 and 3). On March 11, 2020, the World Health Organization (WHO) declared Coronavirus disease 2019 (COVID-19) a global pandemic. Consequently, the GoK activated the CERC in the amount of US\$10 million on March 18, 2020 to support the implementation of the National COVID-19 Contingency Plan. To accommodate the CERC activation, a third Level II retrospective restructuring (Report No: RES40851) was approved on October 21, 2020 and included the following changes: (i) PDO revision; (ii) reallocation of funds between components and disbursement categories; and (iii) updating the results framework.
3. As of February 24, 2021, the Project has disbursed US\$139.6 million, 73.7 percent of the total financing: US\$111.5 million out of US\$150.0 million from the International Development Association (IDA) credit, US\$27.4 million out of US\$40.0 million from the GFF Trust Fund and US\$0.7 million out of US\$1.1 million from the PHRD Trust Fund. There are no outstanding audits.
4. The Project is on track to achieve the PDO. Out of seven PDO level indicators, five have surpassed the targets; one is substantially achieved; and one is partially achieved (health facilities inspected and meeting safety standards). COVID-19 has contributed to delays in training of health inspectors and conducting inspections, but this should be completed if a no-cost extension is granted. The Project Management Team (PMT) has developed an action plan to ensure regular inspections of the health facilities.
5. The progress towards implementation was downgraded to Moderately Unsatisfactory in the Implementation Status and Results Report of June 23, 2019 and remains Moderately Unsatisfactory (ISR Seq No 10 dated January 26,



2021) due to low disbursement relative to the Project timeline. The low disbursement is due to (i) initial implementation delays of nearly a year resulting from inability to revise the County Allocations Revenue Act 2016 (CARA) which prevented disbursement of funds to the counties in financial year (FY) 2016/17; (ii) broader country portfolio issues, which led to suspension of disbursements for new projects in FY 2016/17; (iii) late enactment of the CARA 2019 and 2020 which delayed disbursement of project funds in FY 2019/20 and FY 2020/21 (e.g. in FY 2020/2021, the first disbursement to the counties was transferred in January 2021 resulting in a contracted implementation period of five months compared to 12 months); (iv) lengthy government fund flow processes contributing to delays in annual disbursements (e.g. earliest disbursement since the project became effective was on October 24, 2018 and funds were available for utilization by end of November/early December 2020 resulting in at most six months to implement activities); and (v) the COVID-19 pandemic, which was negatively impacting project implementation at all levels. Despite these challenges, cumulative disbursement has increased to 73.65 percent (75.12 percent IDA and 68.37 percent trust funds) with US\$27.85 million disbursed to date in FY 2020/21. Due to the increased disbursement and lessening of COVID-19 restrictions on gatherings and travel, the task team expects to upgrade the implementation progress rating to Moderately Satisfactory during the May 2021 mission. The PMT has identified priority actions and corrective measures to accelerate implementation (e.g. more robust engagement with counties to proactively address implementation bottlenecks).

6. Fiduciary status. Both Financial Management and Procurement Performance were rated Moderately Satisfactory in the January 2021 ISR. However, the ISR noted that the Government response to COVID-19 is under high scrutiny with allegations of potential fraud pertaining to the overall Government response (not specific to the project). The October 2020 post procurement review (PPR) of 30 Kenya Medical Supplies Authority (KEMSA) contracts for the project's contingency emergency response component (CERC) and the COVID-19 Health Emergency Response Project (P173820) indicated weak internal controls. The audit report for FY 2020 was received in January 2021, reviewed by the Bank and the response letter sent to the Ministry of Health (MoH) on February 3, 2020. The internal audit report from MoH that was awaiting the KEMSA's substantive responses is yet to be shared by MoH. Additional risk mitigations to strengthen internal control systems in KEMSA were agreed for the Additional Financing (AF) for the COVID-19 Health Emergency Response Project (P175188). Based on the findings of the October 2020 PPR and especially the non-compliance to the procedures prescribed by the World Bank Guidelines under KEMSA, all the mitigation measures recommended under the COVID AF project paper will also apply for the project. These include: (i) using the Office of the Auditor General for independent third-party verification for at least one year to provide additional scrutiny and oversight of procurement activities; (ii) rapid response audits by MoH on at least a quarterly basis; (iii) additional training of the KEMSA and the Project Management Team on the World Bank's Procurement Regulations, record keeping, and contract management; (iv) requiring weekly reports of procurement processing as well as monthly reports to the Bank copied to Principal Secretary MoH regarding contract award information (including the Beneficial Owners of the firms); and (v) MoH and KEMSA to publish on their respective websites and the Public Procurement Information Portal details of contracts and tenders. These are further described in Tables 2 and 3 of the Additional Financing Project Paper.

## B. PROPOSED CHANGES

7. Loan closing date: On August 10, 2020, the GoK requested a two year no cost extension for Credit No 5835-KE (IDA credit) proposing to change the closing date from September 30, 2021 to September 30, 2023 (Ref: EA/FA 240/116'C(70)). This will allow for adequate time to implement project activities, particularly at county level. The procedural bottleneck that is the delayed enactment of the CARA, lengthy funds flow processes and the changes made



in project implementation resulting from the COVID-19 pandemic response may persist in the near term. Therefore, a two year no cost extension to September 30, 2023 is recommended to mitigate against such risk.

### III. DETAILED CHANGES

#### LOAN CLOSING DATE(S)

Ln/Cr/Tf	Status	Original Closing	Revised Closing(s)	Proposed Closing	Proposed Deadline for Withdrawal Applications
IDA-58360	Effective	30-Sep-2021		30-Sep-2023	30-Jan-2024
TF-A2561	Effective	30-Sep-2021			
TF-A2792	Effective	30-Jun-2020	30-Sep-2021		