1. Name of the Project
Country: The Republic of Kenya
Project: Health Sector Policy Loan for Attainment of the Universal Health Coverage
Loan Agreement: August 17, 2015
Loan Amount: 4 billion yen
Borrower: The Government of the Republic of Kenya

2. Background and Necessity of the Project
(1) Current State and Issues of the Health Sector in Kenya
During the 1990s, several health indicators, including infant and under-five mortality rates, remained high or even worsened. In contrast, during the 2000s, Kenya’s health sector showed signs of improvement, making progress in the prevention and treatment of HIV and malaria, etc. as well as a decrease in infant and under-five mortality rates. However, it has been reported that some of the UN Millennium Development Goals remain difficult for Kenya to achieve. Although the maternal mortality ratio in Kenya (which decreased from 490 per 100,000 births in 1990 to 400 per 100,000 births in 2013) is lower than the average for Sub-Saharan Africa (510 per 100,000 births), it remains significantly higher than the average for all developing countries (230 per 100,000 births). Also, despite a recent increase in the percentage of deliveries conducted at health facilities, which contributes to lowering the number of maternal deaths, deliveries at health facilities have not yet resulted in a substantial reduction in maternal mortality. Furthermore, there are considerable differences in health indicator values between regions and economic levels. Therefore, there is an urgent need to reduce disparities in the health services.

After attaining national independence in 1963, the Kenyan government provided free healthcare services until the 1980s. However, responding to structural adjustments necessitated by economic stagnation, the government introduced user fees in 1989. Subsequently, the Ministry of Health started providing healthcare services free of charge, excluding registration fees, for primary health facilities in 2004. As a result, the number of healthcare service users increased by 30%. At the same time, as a result of providing free healthcare services, revenue at the facility level decreased dramatically, resulting in frequent informal collection of user fees as well as a deterioration in the quality of healthcare services. To prevent such practices, the Health Sector Service Fund (HSSF) was introduced and came into operation in 2010 to provide direct subsidies to primary health facilities.

(2) Development Policies for the Health Sector in Kenya and the Priority of the Project
In Vision 2030, Kenya’s national development plan, the government established a goal of providing high-quality, readily available healthcare services equally to all
Kenyan people and committed to make efforts to achieve universal health coverage (UHC), including expanding access to healthcare services by the poor. The Ministry of Health is currently drafting a UHC roadmap to lay the groundwork for achieving UHC by 2030. At the same time, the Ministry of Health has also launched the following programs: (1) Health Insurance Subsidy Program (HISP),\(^1\) (2) Free Maternity Service (FMS), and (3) Health Sector Service Fund - Results Based Financing (HSSF-RBF).\(^2\) The first and third programs are being carried out regionally, while the second program is being implemented nationwide using funds provided by the government and donors. Nevertheless, funds for the nationwide expansion of (1) and (3), or for the development of healthcare facilities, upgrading of equipment, and running expenses, including salary for staff members at the facilities, required to implement (2) are not sufficient. For these reasons, the Kenyan government requested the Japanese government for a loan for the health sector in October 2014.

The project provides general budget support to encourage preparation of policy documents and UHC-related program manuals necessary to achieve UHC in Kenya, as well as to ensure the allocation of a budget for the UHC-related sector and enhancement of healthcare systems under the devolved government. This project was designed based on consultations with the Kenyan government and in accordance with Kenya’s development policies.

(3) Japan and JICA’s Policy and Operations in the Health Sector
At the Fifth Tokyo International Conference on African Development (TICAD V) and in Japan’s Strategy on Global Health Diplomacy, Japan has placed high priority on enhancing support to promote UHC. The health sector is defined as a priority area in the Country Assistance Program for Kenya. JICA’s country analysis paper also states that JICA aims to support the development of systems for providing high-quality health and healthcare services equally to people whose access to healthcare facilities has been limited due to geographical and economic factors. In the past, JICA supported the Project for Strengthening Community Health Strategy (2011 to 2014), and other programs with a view to promoting use of healthcare services and development of an environment for disease prevention and healthcare, etc. The project is consistent with these international commitments and with the cooperation policy and analysis for Kenya.

(4) Other Donors’ Activities

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\(^1\) This program aims to expand access to healthcare facilities by incorporating the poor into health care services using government-provided subsidies to cover health insurance premiums.

\(^2\) This subsidy is additionally provided depending on the quality of healthcare services available at primary healthcare facilities. A maximum of 60% of the subsidy will be used as incentives for facility personnel and 40% to improve facility healthcare services. As such, the subsidy is drawing public attention as a mechanism for improving healthcare services at primary health facilities as well as for promoting long-term employment of healthcare personnel.
In addition to financial support for the Kenya Medical Supplies Agency (KEMSA), the World Bank provides financial and technical support for the aforementioned three UHC-related programs implemented by the Kenyan government and is working to help enhance the fiscal management capabilities of county governments. Also, Germany (KfW) has already agreed to provide financial support to improve the management of the National Hospital Insurance Fund (NHIF), which covers approximately 20% of the Kenyan population.

(5) Necessity of the Project

The project is in line with the development agendas and policies set forth by the Kenyan government as well as the cooperation policies of the Japanese government and JICA. Therefore, the need for and relevance of implementing this project is high.

### 3. Project Description

(1) Project Objective(s)

The objective of the project is to reduce economic and physical disparities in access to healthcare services by facilitating the following priority initiatives of the Kenyan government with regard to the attainment of UHC: (i) preparation of various UHC-related policy documents, (ii) creation of UHC-related program manuals and allocation of a government budget, and (iii) enhancement of health systems led by county governments. These measures are intended to contribute to the achievement of UHC and promotion of social development in Kenya.

(2) Project Site/Target Area: Throughout Kenya

(3) Project Component(s)

In order to encourage the Kenyan government to achieve UHC by 2030, the project sets out policy actions to be implemented by the end of 2015 and provides general budget support based on an assessment of the extent to which such policy actions are achieved. In this project, based on past experience of support for the health sector in Kenya, the Kenyan government and JICA have set a total of 13 policy actions required for the attainment of UHC by 2030. Policy actions for the first tranche had already been achieved as of February 2015. Policy actions for the second tranche are expected to be achieved by December 2015. If UHC-related policy actions are implemented properly, this project will provide general budget support to cover the fiscal gap (456 billion Kenya shillings for FY2014, equivalent to approximately 5 billion US dollars). Details are as described below.

<table>
<thead>
<tr>
<th>Category</th>
<th>Policy actions - 1st tranche</th>
<th>Policy actions - 2nd tranche</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Preparation of UHC-related policy documents</td>
<td>(1) The National Health Policy, which incorporates management of the health sector in the devolved system as stipulated in the 2010 Constitution of Kenya, is approved by the CS, MoH.</td>
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</tbody>
</table>
(2) Consultations are held with counties and other stakeholders on the draft Kenya Health Sector Strategic and Investment Plan 2014-2018.

(9) The Kenya Health Sector Strategic and Investment Plan 2014-2018 is approved by the PS, MoH.

(3) A ministerial draft of the UHC Roadmap based on the approved Concept Note is prepared and shared with development partners.

(10) The Health Care Financing Strategy is drafted and the outline of essential health packages is shared with the UHC Steering Committee.

(4) The HISP implementation manual is finalized.

(5) The FMS Concept Note is prepared and GOK budget on FMS for FY 2014/15 is approved.

(6) The HSSF-RBF implementation manual for ASAL, which includes the verification methodology for health facilities, is prepared and shared with 20 ASAL counties.

(11) The FMS Operation Manual, which incorporates the results of the situation analysis, is prepared and the GOK budget on FMS for FY 2015/16 is approved.

(12) Training needs assessment of health systems management at the county level is conducted.

(13) The Standards for Community Health Service are disseminated within the MOH and among county governments.

(4) Loan Amount: 4 billion yen

(5) Schedule

The period targeted for policy actions for the project is from January 2014 to December 2015 (the period targeted for financial support is from July 2014 to June 2016). The targets for the achievement of policy actions are February 2015 for the first tranche and December 2015 for the second tranche. The loan will be disbursed after confirming that the relevant policy actions have been achieved. The project will be completed upon disbursement of the second tranche (scheduled for January 2016).

(6) Project Implementation Structure

1) Borrower: The Government of the Republic of Kenya
2) Executing Agency: Ministry of Health
3) Project Implementation Structure: This project is supervised by the Department of Policy, Planning, and Health Financing of the Ministry of Health, which serves as the executing agency. The department assumes responsibility for monitoring the achievement status of each policy action along with the Resource Mobilization Department of the National Treasury. Monitoring results will be reported to the UHC Coordination Committee quarterly.

(7) Environmental and Social Considerations/Poverty Reduction/Social Development

1) Environmental and Social Considerations
   ① Category: C
   ② Reason for Categorization: This project is likely to have regarded as having minimal adverse impact on the environment according to the Japan
International Cooperation Agency Guidelines for Environmental and Social Considerations (issued in April 2010).

2) Promotion of Poverty Reduction: This project aims to improve access to health services by the poor.

3) Promotion of Social Development (e.g., Gender Perspectives, Measures for Infectious Diseases including HIV/AIDS, Participatory Development, Consideration for People with Disabilities, etc.): The project focuses on women as major beneficiaries. (Activities: provision of free maternity services at public health facilities)

(8) Collaboration with Other Donors
The World Bank is currently implementing the Health Sector Support Project. In addition, it is also preparing a new project to support the attainment of UHC. In the next phase of the ODA loan, co-financing with the World Bank could be considered.

(9) Other important issues
Funds for FY2015 (Kenyan fiscal year: July 2015 to June 2016) and beyond will be provided on the conditions that achievement of policy actions for the second tranche and the Kenyan government’s fiscal gap for the year targeted for funding have been confirmed.

4. Targeted Outcomes

(1) Quantitative Effects

1) Performance Indicators (Operation and Effect Indicators)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Baseline (recorded in 2013)</th>
<th>Target (2018) (2 years after completion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of deliveries conducted at health facilities</td>
<td>44</td>
<td>65</td>
</tr>
<tr>
<td>No. of impoverished households receiving health insurance subsidies (covered by HISP)</td>
<td>0</td>
<td>42,300</td>
</tr>
<tr>
<td>No. of facilities implementing HSSF-RBF</td>
<td>89</td>
<td>1,331</td>
</tr>
</tbody>
</table>

2) Internal Rate of Return
The project is composed of a number of policy actions and it is impossible to calculate reliable internal rates of return for all items. Therefore, no internal rate of return has been calculated.

(2) Qualitative Effects
Enhancement of the health administration capabilities of county governments; improvement in the quality of FMS; and improvement of health services at facilities targeted for HSSF-RBF.
5. External Factors and Risk Control
The political and economic conditions in Kenya will not worsen.

6. Lessons Learned from Past Projects
As shown in the ex-post evaluation of the Indonesia Climate Change Programme Loan (I through III), in order to minimize administrative costs, it is necessary to limit the number of performance indicators and choose indicators designed to measure project achievements rather than indicators designed to monitor policy actions. For the project, indicators associated with the policy matrix have been chosen as performance indicators.
The review of the HIV/AIDS project implemented by the World Bank in Kenya also shows the need to enhance measures to reduce risks regarding governance and corruption involved in project implementation. Based on this review, the World Bank is employing a private third-party agency to review trust risks when implementing the Health Sector Support Project. When monitoring the project, JICA would participate in the monitoring implemented by this private agency if necessary.

7. Plan for Future Evaluation
(1) Indicators to be used
   Same as those in 4. (1) 1)
(2) Timing of the next evaluation
   2 years after project completion