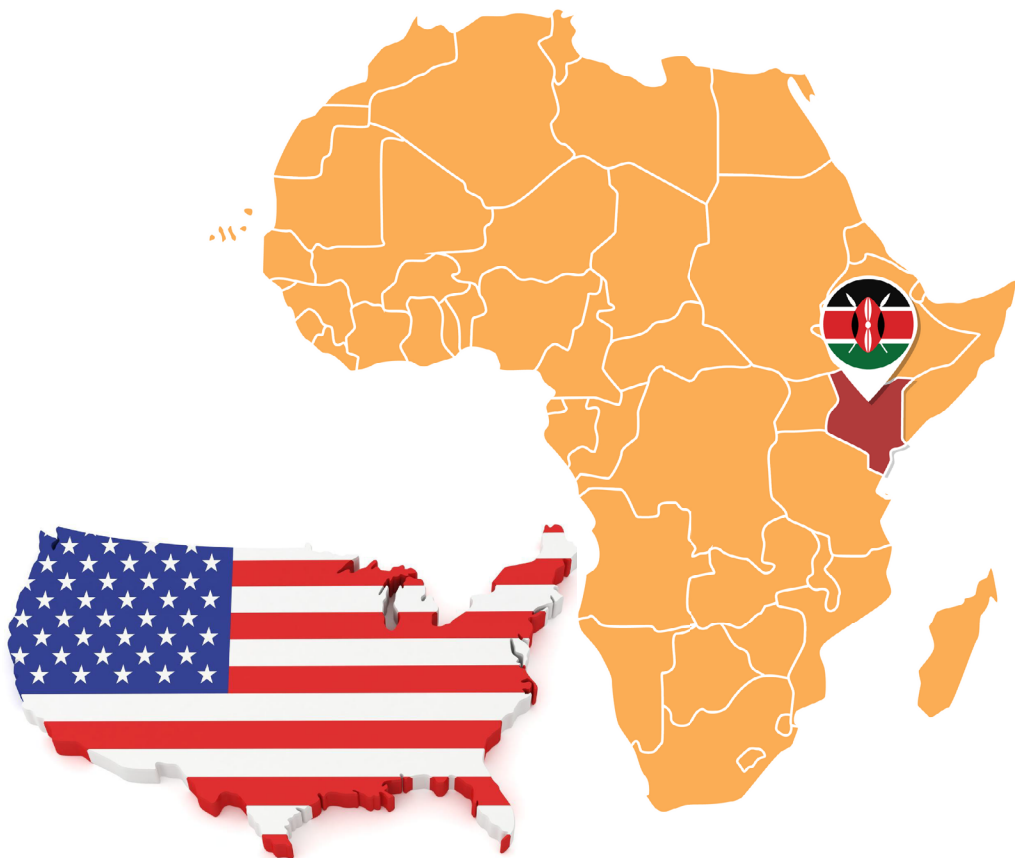


Kenya Healthcare Federation

From Aid to Ownership Why We Must Act Now!



1. Introduction

The recent executive order by the United States government to halt all foreign aid has caused a stoppage of USAID-funded activities, sending shockwaves across over 130 countries where the agency operates. This 90-day freeze aims to review and realign U.S. foreign assistance with the administration's "America First" policy.

This white paper examines the historical role of USAID, its contributions to Kenya, the implications of the funding freeze, and the potential role of the private sector in mitigating the impact.

3. History and Purpose of USAID

USAID (United States Agency for International Development) was created in 1961 as an agency of the State Department, under the authority of the Foreign Assistance Act of 1961. Its mission was to oversee foreign aid and promote economic development, health, and governance worldwide. Congress later passed the Foreign Affairs Reform and Restructuring Act of 1998, codifying USAID as an independent agency.

Since its establishment, USAID has achieved major milestones across all continents, with notable healthcare contributions in HIV, malaria, Ebola, Zika, and maternal and child health. USAID's foreign assistance represents less than 1% of the U.S. federal budget with Africa receiving a significant portion due to its healthcare and development needs. In 2023, the U.S. spent approximately \$68 billion on international aid, with \$40 billion allocated to USAID. Other health recipients include the CDC.

Kenya was one of the first African countries to receive USAID assistance in 1964. The early focus was on infrastructure, agriculture, and education, but over time, the agency expanded to include health, governance, and economic development programs.

The USAID Kenya office had allocated \$2.5 billion in its 2020 - 2025 strategic plan, averaging about \$471 million annually. About 80% of this funding was allocated to healthcare, including HIV/AIDS, malaria, maternal and child health, and vaccinations.

2. Timeline of Events

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20th Jan 2025:

Executive Order

President Trump issued an executive order implementing a 90-day freeze on foreign assistance programs.

25th Jan 2025:

Freeze

Freeze expanded, halting most of USAID's operations.

4th Feb 2025:

Leave

USAID announced that all non-mission-critical direct-hire personnel would be placed on leave by February 7; overseas staff given 30 days to prepare for repatriation.

24th Jan 2025:

Suspensions

Immediate suspension of thousands of USAID programs worldwide; furloughs and layoffs began.

1st Feb 2025:

PEPFAR

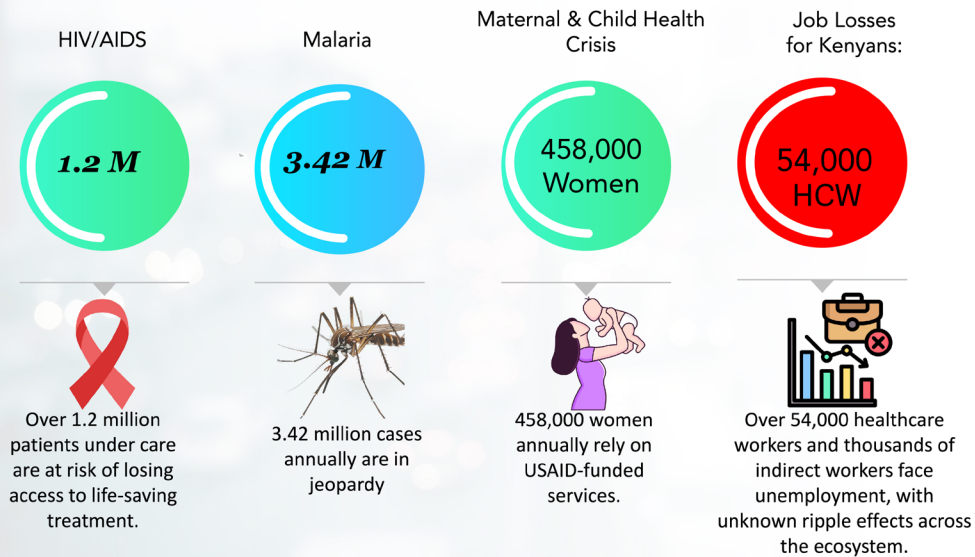
Limited waiver granted for PEPFAR, allowing critical HIV treatment services to resume.

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4. The USAID Stop Order: Immediate and Long-Term Impacts

Immediate Effects – Health Crisis



Long-Term Impacts

- Kenya risks a resurgence of malaria, HIV/AIDS, and vaccine-preventable diseases due to treatment and prevention disruptions.
- Local businesses and suppliers dependent on donor-funded projects will suffer significant revenue losses, reducing economic activity.
- The freeze could damage Kenya-U.S. relations, forcing Kenya to seek alternative alliances and funding sources.

5. What happens after the 90 days? Predictions

There are indications of continued foreign aid, but with a probable redesignation of USAID into the State Department. Under a stated model, USAID and other US foreign aid recipients will likely:

- Have reduced autonomy and staffing.
- Continue providing commodity funding for HIV, malaria, and maternal and child health (MCH), but with the condition that products must be American.
- Reduce funding for staff and logistics.
- Stop funding for healthcare governance unless a strong case can be made that good governance aligns with the “America First” policy.
- Place a stronger emphasis on measurable outcomes for any funding provided. This would prioritize organizations with the capacity to implement programs effectively, leading to a greater role for implementers as well as enhanced monitoring and evaluation activities to ensure accountability and impact.

These changes are likely to influence the behavior of other philanthropic entities in several ways:

- Corporations targeting Africa and Asia may increase their funding commitments, following the example of Bloomberg’s expanded support for climate change initiatives.
- Larger philanthropic organizations could re-prioritize their efforts to address gaps in service delivery for HIV, malaria, and maternal and child health (MCH).
- Nations, particularly in the East, may strengthen their aid presence in response to shifting global funding dynamics.

6. Will the Private Sector Be the Elixir?

In the immediate or short term

Private healthcare providers play a crucial role in delivering healthcare services to the affected population, accounting for a significant share of Kenya's healthcare system. They operate 54% of all health facilities, 59% of hospital beds, and 60% of cots across the country. With the right support, a few key actions could enable the private sector to rapidly scale up its response and enhance healthcare delivery.

In the Short Term

- **Launch a collaborative effort:** The public and private sectors must urgently convene to assess the donor gap and develop a comprehensive roadmap that prioritizes maintaining healthcare infrastructure and strengthening supply chains. This could take the form of a task force
- **Engage key partners:** Non-governmental organizations (NGOs), faith-based organizations (FBOs), and other partners with a history of working with vulnerable populations should be actively engaged and supported to rapidly scale up their efforts
- **Facilitate knowledge and skill transfer:** from experienced organizations to newer or less-resourced partners will enhance capacity building and ensure more effective service delivery.
- **Coordinate philanthropic efforts:** Large firms should coordinate their philanthropic actions to sustain critical healthcare services in the short term, ensuring resources are allocated efficiently to areas of greatest need.
- **Pay outstanding debts:** The government should prioritize paying outstanding NHIF debts and staying current on SHA payments to enable private facilities to make the necessary investments to fill the funding gap.

In the Medium to Long Term

- **Increase cash flow to the health sector:** The government should strive to attain at least a 15% allocation of GDP to health.
- **Increase bank lending to the health sector:** Commercial banks should allocate at least 5% of their book balance to healthcare and review lending requirements to meet sector-specific needs.
- **Eliminate waste and abuse:** Efforts should focus on optimising resource utilization to maximize the impact of every shilling spent on health outcomes, and best practices should be rewarded
- **Reform health insurance:** Reforms should expand population coverage and services offered in both the public and private sectors.
- **Support local manufacturing:** Supporting local manufacturing will improve commodity security.

KHF value bite

The KHF will, in the coming days, collaborate with the Ministry of Health (MoH) to urgently identify the funding gap and explore how we can collaboratively close it.

Be part of the conversation!

A bad idea is one that was never shared.

Contact us at info@khf.co.ke.