



5th Kenya Institute of Planning Annual convention



Kenya Urban Support Programme (KUSP)

By

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INTRODUCTION:URBANISATION OVERVIEW

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- The Government of Kenya (GoK) now recognises the **enormity of the urbanisation challenge** it confronts.
- GoK's Vision 2030 acknowledges the **lamentable state of urban planning and management** (para. 5.5).
- National Urban Development Policy (NUDP) (Sessional paper No. 6 of 2016) suggests that within a generation or so, **Kenya's population will be more urban than rural**

Kenya's urban challenge

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- ▣ **NUDP** acknowledges that over **70%** of our **GDP** is generated by our cities and towns.
- ▣ **WB's Kenya Urbanisation Review (2016) p.8:** roughly **60%** of urban dwellers live in slums (using MDG criteria).
- ▣ KenUP urban infrastructure needs are enormous: at least **\$1bn**, initially to have impact (excluding Nairobi & Mombasa)
- ▣ **UDD's urban score card (USC):** one test of poverty is access to basic services. USC measures access to:
 - ▣ Water, sanitation, shelter, electricity transport, security.

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AIM OF THE LECTURE

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- To contextualise Kenya Urban Support Program

OBJECTIVES OF THE LECTURE

- At the end of the lecture, participants will better understand the KUSP development objectives, outline, the MC's requirements, UIG & UDG components,

SCOPE: The lecture is structured as follows:

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- a. Introduction of KenUP
- b. Overview of KUSP
- c. KUSP Development Objectives
- d. Key Design Features
- e. Funds Flow
- f. What a County must Do to participate
- g. How a County benefits from KUSP
- h. Conclusion

Part 1: overview

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<i>Loan amount</i>	• US\$ 300 million	
<i>Program duration</i>	• 6 years (2017-2023)	
<i>Financing instruments</i>	• <i>Investment Project Finance (IPF)</i>	\$ 30.3 million
	• <i>Program for Results (P-for-R)</i>	\$ 269.7 million
<i>Implementing agencies</i>	<ul style="list-style-type: none"> • <i>National Government (State Department of Housing & Urban Development)</i> • <i>County Governments</i> 	
<i>Allocation of program resources</i>	• <i>IPF: National Government</i>	\$ 30.3 million (10%)
	• <i>P-for-R: County Governments (and urban area institutions)</i>	\$ 269.7 million (90%)

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Program Development Objective

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To establish and strengthen urban institutions to deliver improved infrastructure and services in participating counties in Kenya

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Key design features

Program structure: KUSP proposes **three levels of intervention:** at national, county and urban investment (through urban boards) levels :

- **Window 1** (national level - \$ 30.3 million): support for policy, conditional grant coordination, institutional development and capacity building. Includes CoG operational support. All 47 counties to benefit from direct capacity and technical support from SHUD.
- **Window 2** (county level - \$ 22.2 million): support for urban management, institutional development and capacity building. The eligible 45 counties will access this grant (excluding Nairobi and Mombasa).
- **Window 3** (county and municipal levels - \$ 247.5 million): support for urban infrastructure and service delivery. Only for pre-selected urban areas (as per program design) in the 45 eligible counties will access this grant (excluding Nairobi and Mombasa).

Fund Flows: Windows 2 & 3

National Treasury fund flow to County Governments (1)

Window 1: Financed through the IPF instrument.

- ▶ **Windows 2 and 3** are financed through the P-for-R instrument
- ▶ UIGs and UDGs to the county governments are coordinated with National Government and CoG.
- ▶ APAs, which are managed by the NPCT in close coordination with CoG, determine the UIG/UDG allocations to Counties and their urban areas.
- ▶ As conditional grants, all UIGs and UDGs have to be fully reflected in the Division of Revenue Act (DoRA) and in the County Allocation of Revenues Act (CARA).
- ▶ As conditional grants, all UIGs and UDGs must also be reflected in the National Government budget and in the budgets of qualifying counties.
- ▶ Experience with other sector programs in Kenya shows that **reflecting conditional grants in DoRA, CARA and national/county budgets is a critical pre-requisite for funds to flow.**

Windows 2 & 3 DLIs

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Window	Results area	DLIs
Window 2: County governments	County governments commit to address urban development and management issues	<u>DLI 1</u> : County governments have met <u>UIG</u> MCs.
Window 3: Urban boards and counties	Institutional framework established and operational	<u>DLI 2</u> : County governments have met <u>UDG</u> MCs
	Urban planning, infrastructure and service delivery	<u>DLI 3</u> : County governments and urban area institutions have met <u>UDG</u> PSs

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Windows 2 & 3 cont'

County Governments

- ▶ **UIG** funds will be handled by County Treasuries through SPAs (Special Purpose Accounts), earmarked for spending on urban sector activities by the CEC department responsible for urban development.
- ▶ **UDG** funds will be handled by County Treasuries as SPAs (Special Purpose Accounts), earmarked for spending in specific urban areas by their respective urban institutions (municipalities).

KEY INSTRUMENT: PROGRAM OPERATIONS MANUAL

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- KUSP Program Operations Manual (POM) is the key operational instrument for program implementation
- POM defines “the rules of the game” – the procedures through which KUSP will be implemented, as agreed by the client and the World Bank
- POM covers all aspects of implementation for Windows 1, 2 & 3
- POM provides both national and county level stakeholders with a description of the procedures and processes to be followed in KUSP implementation (procurement, budgeting, etc.)
- Very importantly, the POM provides detailed guidelines on among other things, the APA process (MCs, PMs, scoring, assessment process, ToRs), which underlies Windows 2 and 3
- FM Manual covers the six (6) key dimensions of financial management (budgeting, fund flow, accounting, internal controls, financial reporting and auditing) for both the IPF and P-for-R components of KUSP

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what counties must do

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What a county governor needs to do for a county to join the KUSP?

“Meet 2 minimum conditions!”

- **MC1:** County government has committed itself to participation in KUSP. County governor signs a **KUSP Participation Agreement** (COG and UDD have copies of the participation agreement).
- **MC2:** County government has drawn up (and is implementing) its **County Urban Institutional Development Strategy (CUIDS)**. CUIDS to serve as blue print for county commitment on urban sector. CUIDS to feed into or base on CIDP urban priorities. UDD has CUIDS templates that county governments have already started working on.

Both MCs must be achieved and submitted by counties to State Department of Housing and Urban Development (Urban Development Directorate) by the **31st January, 2018.**

...and if the two MCs are met?

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- ▶ That County Government Immediately Qualifies to receive an **URBAN INSTITUTIONAL GRANT (UIG)**.
- ▶ **Worth: USD 0.49 MILLION** (Roughly KES 49 MILLION) over a three year period (KES 20 million in 2017/18; KES 20 million in 2018/19 and KES 9 million in 2019/20).
- ▶ **UIG** is for counties:
 - ▶ to build their capacity in urban management; and
 - ▶ To prepare themselves to benefit from the **URBAN DEVELOPMENT GRANT (UDG)**.
- ▶ Compliance with UIG requirements will be assessed as part of the Annual Performance Assessment (APA) for the UDG.

The next presentation offers guidance on the two MCs plus pointers to UIG success. The last presentation explains the UDG.

How a county benefits

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- Through **Direct Capacity Building and Technical Assistance Support on Urban Development** from the State Department of Housing and Urban Development (SHUD), Ministry of Transport, Infrastructure, Housing and Urban Development (MTIHUD), under **Window-1**.
- **Urban Institutional Grant (UIG, KES 49 Million)** that flows directly to county government to provide basic resources for the county to use in preparation for the larger Urban Development Grant (UDG) for urban areas. UIG goes only to counties that sign up for the program by meeting programme's basic requirements, under **Window-2**.
- **Urban Development Grant (UDG, KES 24.75 Billion)** that flows directly to eligible counties for urban infrastructure and service delivery in urban areas that have been pre-identified by counties through their planning, in the programme, under **Window-3**.

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ASANTE SANA!!