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PROJECT APPRAISAL DOCUMENT

ON A

PROPOSED CREDIT

IN THE AMOUNT OF SDR 65.0 MILLION
(US\$100 MILLION EQUIVALENT)

TO THE

REPUBLIC OF KENYA

FOR THE INFORMAL SETTLEMENTS IMPROVEMENT PROJECT

February 24, 2011

Urban and Water Unit
Sustainable Development Department
Country Department 2, Kenya
Africa Region

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Currency Equivalents

(Exchange Rate Effective February 21, 2011)

Currency Unit	=	Kenya Shillings
Ksh 81.80	=	US\$1
US\$1.54012	=	SDR 1

Government Fiscal Year: July 1–June 30

ABBREVIATIONS AND ACRONYMS

AFD	Agence Française de Développement
CPS	Country partnership Strategy
EIA	Environmental impact assessment
EMP	Environmental management plan
ESMF	Environment and Social Management Framework
ICB	International competitive bidding
IFR	Interim financial report
KENAO	Kenya National Audit Office
KISIP	Kenya Informal Settlements Improvement Project
KMP	Kenya Municipal Program
LAIFOMS	Local Authority Integrated Financial Operations Management System
M&E	Monitoring and evaluation
MoF	Office of the Deputy Prime Minister and Ministry of Finance
MoH	Ministry of Housing
MoL	Ministry of Lands
MoLG	Office of the Deputy Prime Minister and the Ministry of Local Government
NEMA	National Environment Management Authority
NCB	National competitive bidding
NGO	Nongovernmental organization
NMSP	Nairobi Metropolitan Services Project
O&M	Operations and maintenance
PCT	Project coordination team
QCBS	Quality and Cost Based Selection
RAP	Resettlement Action Plan
RFP	Request for Proposal
RPF	Resettlement Policy Framework
SBD	Standard Bidding Document
Sida	Swedish International Development Cooperation Agency
SIL	Specific Investment Loan
SSS	Single source selection
TA	Technical assistance
WaSSIP	Water and Sanitation Improvement Project

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Country Director:	Johannes Zutt
Sector Director:	Jamal Saghir
Sector Manager:	Junaid Kamal Ahmad
Task Team Leader:	Sumila Gulyani

KENYA

Informal Settlement Improvement Project

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KENYA

INFORMAL SETTLEMENT IMPROVEMENT PROJECT

PROJECT APPRAISAL DOCUMENT

AFRICA

AFTUW

Date: February 24, 2011 Country Director: Johannes C.M. Zutt Sector Director: Jamal Saghir Sector Manager: Junaid Kamal Ahmad Team Leader(s): Sumila Gulyani Project ID: P113542 Lending Instrument: Specific Investment Loan	Sector(s): General water, sanitation and flood protection (40%); general transportation sector (30%);-subnational government administration (30%) Theme(s): Access to urban services and housing (60%); municipal development (20%); other urban development (20%) EA Category: B, Partial assessment
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Project Financing Data:

Proposed terms:

Loan Credit Grant Guarantee Other:

Source	Total Amount (US\$M)
Total Project Cost:	110
Cofinancing:	
Recipient:	10
Total Bank Financing	100
IBRD	
IDA	100
New	100
Recommitted	

Recipient:

Republic of Kenya
 Office of the Deputy Prime Minister and Ministry of Finance
 The Treasury
 P.O. Box 30007-00100
 Nairobi, Kenya
 Tel: (254-20) 2252299 Fax: (254-20) 2240045

Responsible Agency: Ministry of Housing
 Ardhi House, Ngong Rd
 PO Box 30450-00100

Nairobi, Kenya					
Contact Person: Tirop Kosgey, Permanent Secretary Tel: (254-20) 2718050 Fax: (254-20) 2221248 E-mail: ps@housing.go.ke					
Estimated Disbursements (Bank FY/US\$ m)					
FY	2012	2013	2014	2015	2016
Annual	10	15	25	25	25
Cumulative	10	25	50	75	100
Project Implementation Period: Start: March 24, 2011 End: June 30, 2016 Expected effectiveness date: June 30, 2011 Expected closing date: June 30, 2016					
Does the project depart from the CAS in content or other significant respects?				<input type="radio"/> Yes <input checked="" type="radio"/> No	
If yes, please explain:					
Does the project require any exceptions from Bank policies?				<input type="radio"/> Yes <input checked="" type="radio"/> No	
Have these been approved/endorsed (as appropriate by Bank management)?				<input type="radio"/> Yes <input type="radio"/> No	
Is approval for any policy exception sought from the Board?				<input type="radio"/> Yes <input checked="" type="radio"/> No	
If yes, please explain:					
Does the project meet the Regional criteria for readiness for implementation?				<input checked="" type="radio"/> Yes <input type="radio"/> No	
If not, please explain:					
Project development objective					
The project development objective is to improve living conditions in informal settlements in selected municipalities in Kenya. This will be achieved by enhancing security of tenure and improving infrastructure based on plans developed in consultation with the community.					

Project description

Component 1: Strengthening institutions and program management. This component will support institutional strengthening and capacity building of the Ministry of Housing, the Ministry of Lands, and the selected municipalities. It will also finance the management activities associated with program implementation and establishment of a monitoring and evaluation system.

Component 2: Enhancing tenure security. This component will support systematization and scale-up of ongoing efforts to strengthen settlement planning and tenure security in urban informal settlements.

Component 3: Investing in infrastructure and service delivery. This component will support investment in settlement infrastructure, and, where necessary, extension of trunk infrastructure to settlements.

Component 4: Planning for urban growth. This component will support planning and development of options that facilitate the delivery of infrastructure services, land, and housing for future population growth.

Safeguard policies triggered?

Environmental Assessment (OP/BP 4.01)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Natural Habitats (OP/BP 4.04)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Forests (OP/BP 4.36)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Pest Management (OP 4.09)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Physical Cultural Resources (OP/BP 4.11)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Indigenous Peoples (OP/BP 4.10)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Involuntary Resettlement (OP/BP 4.12)	<input checked="" type="radio"/> Yes <input type="radio"/> No
Safety of Dams (OP/BP 4.37)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects on International Waters (OP/BP 7.50)	<input type="radio"/> Yes <input checked="" type="radio"/> No
Projects in Disputed Areas (OP/BP 7.60)	<input type="radio"/> Yes <input checked="" type="radio"/> No

Conditions and Legal Covenants:

Financing Agreement Reference	Description of Condition/Covenant	Date Due
Article V (5.01)	MoH has adopted an operations manual satisfactory to the Association.	Condition of effectiveness.
Section 1.H.1 of Schedule 2	The Recipient shall prepare and submit to the Association a model Subsidiary Agreement satisfactory to the Association.	No later than September 30, 2011 or any other date agreed with the Association.

Section 1.F.3 of Schedule 2	The Recipient shall prepare and submit to the Association a model Municipal Agreement satisfactory to the Association.	No later than September 30, 2011 or any other date agreed with the Association.
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1. STRATEGIC CONTEXT AND RATIONALE

A. Country context

1. **Macroeconomic performance.** From 2000–2009 Kenya’s economy experienced strong but uneven growth, with an average annual growth rate of 3.7 percent. However, growth slowed significantly in the last two years, due to the 2008 post-election violence, the global economic crisis, and a severe drought in 2009. These events had a negative impact on trade flows and receipts from tourism, remittances, and foreign direct investment. Growth slowed to 1.6 percent in 2008, the lowest rate since 2002 and substantially below the population growth rate of 2.7 percent. Growth recovered slightly in 2009 to 2.6 percent. This is a moderately strong recovery given the global economic crisis, and exceeded that of the 2009 Sub-Saharan African average of 1.6 percent. Kenyan economic growth is projected to accelerate to 4.0 percent in 2010 and to 4.9 percent in 2011.

2. **Structural transformation.** Growth has been driven primarily by services (especially tourism, and transport and communications) and by industry (primarily construction). Services and industry accounted for 74.5 percent of gross domestic product in 2009. However, despite the strength of Kenya’s private sector, the economy continues to perform below its potential due to infrastructure bottlenecks, a poor investment climate, and outdated agricultural and trade policies. In the coming decade, the structural transformation of the Kenyan economy will continue, coupled with rapid demographic growth and increasing population and economic density.

3. **The urban transition is well under way in Kenya and urbanization is projected to continue at a rapid pace.** In 2009 about 39 percent of the Kenyan population was residing in urban areas and the total urban population was estimated to be about 15.2 million people.¹ Kenya’s five largest cities (Nairobi, Mombasa, Kisumu, Nakuru, and Eldoret) account for approximately 34 percent of the urban population. It is estimated that urban areas will account for 54 percent of the population or 23.6 million people by 2030.² The urban transition in Kenya will play an important role in determining the country’s growth prospects and social stability, which remains fragile after the 2008 post-election violence.

4. **As a result of inadequate attention to the issue in the past, Kenya has a huge backlog of needs to improve the overall functioning of cities and to upgrade living conditions in informal settlements.** The government has requested help from the Bank to address the needs. As one project is not enough, it has asked for support for three Bank-financed projects, each addressing a different element of urban development. The first is the Kenya Municipal Program (KMP), approved in May 2010. This program focuses on strengthening the essential institutions of urban management—budgeting, financial management, participatory planning, project management, operations and maintenance, and good governance—in 15 of Kenya’s largest cities, while also financing investments in city-wide infrastructure. The Kenya Informal Settlement Improvement Project (KISIP) is the

¹ Kenya National Bureau of Statistics. 2010. “2009 Population and Housing Census Results.”

² Government of Kenya. 2008. “Harmonious Urbanization: The challenge of balanced territorial development.” Kenya Country Report. Fourth session of World Urban Forum, Nanjing, China, November 3–6, 2008.

second of the programs. It will work in the same 15 municipalities as the KMP, and finance strengthening of tenure security, participatory planning, and settlement infrastructure. The third is the Nairobi Metropolitan Services Project, which is estimated to start in 2012. This will finance investments in infrastructure and service delivery in Kenya's largest and economically most important urban conurbation, which accounts for some 8 percent of the country's population and some 50 percent of its GDP. Together, the three programs will comprehensively address core issues that are constraining the development potential, efficiency, equity, and competitiveness of Kenya's urban areas.

5. **The three programs support Kenya's overall local government reform agenda and align fully with ministerial mandates and institutional arrangements.** The KMP aligns with and contributes to two key national programs—the Kenya Local Government Reform Program and the Local Authority Transfer Fund—which commenced between 1996 and 2000, and have been managed by the Ministry of Local Government (MoLG) since inception. Similarly, KISIP complements the national Kenya Slum Upgrading Program, established in 2003, and led by the Ministry of Housing (MoH). It also supports the efforts by the Ministry of Lands (MoL) to introduce planning and strengthen security of tenure in unplanned and poor urban neighborhoods, in accordance with the new national land policy. Finally, the NMSP will support the Ministry for Nairobi Metropolitan Development, created in 2008, in its mandate of establishing new metropolitan institutions for management of Nairobi City Council and 14 neighboring municipalities and for enhancing infrastructure and service delivery in the metropolitan area.

6. **A new constitution approved in a referendum on August 4, 2010 provides for decentralization of resources and responsibilities to subnational governments and strengthens claims of citizens for access to basic services, including adequate housing and water and sanitation.** The constitution gives many of the responsibilities now held by central ministries to county-level administrations. County governments will now be responsible for provision of health and education services, construction and maintenance of county roads and street lights, stormwater management, and water and sanitation services. County governments will also be responsible for land surveying and mapping, housing, and markets in addition to other tasks. The law outlining the structure of counties is expected to be ready by February 2012, but the constitution allows until 2014 for the establishment of the new structure. The constitution as part of its bill of rights also guarantees each person specific economic and social rights, including the right to accessible and adequate housing, to reasonable standards in sanitation, and to clean and safe water in adequate quantities, among others. The constitution requires that an urban local government law defining the governance structures for urban areas be prepared by August 2011. A sessional paper is currently being prepared to serve as input to the new law. The new constitution makes the Bank-financed municipal projects even more relevant. However, the evolving policy environment on decentralization may call for changes in the projects' implementation arrangements to ensure that they are in line with government's new institutional architecture.

7. **Governance and accountability:** The governance record in Kenya is mixed. While Kenya's actionable governance indicators, based on the Bank's country policy and institutional assessment ratings and *Doing Business* reports, among others, indicate that the

country scores well on microeconomic and budgetary management, voice, public administration, regulatory quality, and revenue mobilization. However, the country scores well below the average for low-income countries and sub-Saharan Africa on the rule of law and control of corruption. Recently, though, there have been some encouraging results: (a) a new constitution was passed through a peaceful referendum in August 2010, providing for separation of powers between the executive, judiciary, and legislature as a means for tackling deep governance issues; (b) police reforms are being undertaken, following completion of an independent review; (c) parliament has enacted key legislation to combat corruption, including the proceeds of crime anti-money laundering act; and (d) independent media and strong civil society organizations are increasingly monitoring and reporting on government actions.

B. Sectoral and institutional context

8. **Urban Kenya is unequal and the expanding urban population is being absorbed in informal or slum settlements with squalid living conditions, poor infrastructure, and high poverty rates.** Rapid urbanization, poor management, and absence of planning has left Kenya's urban areas with huge backlogs in critical infrastructure and basic services, and led to the emergence of sprawling, overcrowded, and impoverished informal settlements. It is widely acknowledged that a significant proportion of urban residents live in these under-served informal settlements. Not only is the full potential of productive and inclusive cities not being realized, the glaring inequality causes its own problems and tensions, one manifestation of which is increasing urban violence and insecurity.

9. **Nairobi's slums demonstrate the magnitude of the challenges and opportunities for poverty reduction in these settlements.** The National Bureau of Statistics conservatively estimates that, within Nairobi's administrative boundary, at least 30 percent of the population lives in slums.³ With the 2009 census reporting Nairobi's total population as 3.2 million, the city's slum population now stands at almost one million people. Recent in-depth research supported by the World Bank reveals both encouraging and discouraging development indicators in Nairobi's slums.⁴ Taking economic poverty, employment, education, and living conditions as four dimensions of deprivation in Nairobi's slums, the study finds the following. On the positive side, Nairobi's slum residents are educated (78 percent have completed primary school) and the vast majority of them (68 percent) are working. Work includes not only regular and casual jobs, but also self employment. In fact, 30 percent of households operate a small enterprise and, all else being equal, these businesses are helping in the fight against poverty.⁵ On the negative side, the incidence of economic poverty is very high—an astounding 73 percent of slum residents fall below the poverty line. Unemployment is also high (26 percent), and living conditions are appalling—only 3 percent live in a house with permanent walls, water and electricity. Among the four dimensions of poverty, then, Nairobi's slums score the worst on living conditions. Overall, the results show

³ This estimate is based on a stringent definition of slums devised by Central Bureau of Statistics (1999) and it excludes slums on the periphery of Nairobi's administrative boundary. For details see World Bank (2006).

⁴ World Bank. 2006. "Inside Informality: Poverty, jobs, housing and services in Nairobi's slums." Report No. 36347-KE, Africa Urban and Water I.

⁵ Gulyani, S., and Talukdar, D. (2010). "Inside informality: the links between poverty, microenterprises and living conditions in Nairobi's slums." *World Development*, in press.

that a slum resident in Nairobi could be above the poverty line, have education and a job, and still live in appalling conditions.

10. Compared to Dakar, living conditions—and especially infrastructure access—in Nairobi’s slums are much worse. An in-depth comparison of the slums of Nairobi and Dakar reveals surprising differences and provides important insights. Slums in the two cities are compared using three analytical frameworks—the development diamond, the infrastructure polygon, and the living conditions diamond (box 1).⁶ The analyses shows that as many as 74 percent of Dakar’s slum residents have access to a home with solid walls and a power and water connection, compared with 3 percent in Nairobi. Taking a closer look at all aspects of infrastructure provision, coverage for Dakar residents was found to exceed 70 percent versus only 20 percent for Nairobi residents (figure 2, box 1). A key explanation is the lack of investment by the state in planning and in public infrastructure and services. A second reason lies in the contrasting tenure arrangements in the two cities. Some 92 percent of Nairobi’s slum residents are tenants, and turnover is high. Because settlements are informal, neither landlord nor tenant has much incentive to invest in housing improvements. In Dakar, on the other hand, tenants comprise just 26 percent of the residents, while 74 percent own their residences. Thus the population is more stable and provides residents with the incentive to improve the quality of their homes. This analysis highlights the need for investment in planning and infrastructure by the state. It also demonstrates the need to consider two tenure variables—duration of stay and proportion of owner-occupiers to tenants—in deciding the approach to upgrading. In settlements with a high proportion of owner occupiers, there is no need to wait for tenure to be enhanced before upgrading infrastructure, as the owner-occupiers will benefit from the upgrading.

11. Education, employment and income do not automatically translate into better living conditions. The finding that living conditions are worse in the slums of Nairobi than in Dakar is particularly striking because Nairobi leads Dakar in terms of indicators of employment, education, and economic poverty (figure 1, box 1). In Dakar, only 38 percent of residents have completed primary education and 39 percent reported paid employment (compared to 78 percent and 68 percent, respectively, in Nairobi). Further, the incidence of economic poverty in Dakar is very high—82 percent of the slum residents fall below the poverty line. These findings strongly challenge the conventional idea that increases in education, jobs and/or incomes will automatically translate into better living conditions. In fact, a recent analysis of multi-dimensional poverty in 104 countries also shows that measures of income poverty are not always correlated with living standards, educational attainment and health outcomes.⁷

12. Acknowledging the need to directly tackle the problem of poor living conditions in slums, the government has been working on a national slum upgrading program since 2005. The initiative, titled the Kenya Slum Upgrading Program (2005–2020), includes

⁶ Gulyani, S., D. Talukdar and D. Jack. 2010. “Poverty, living conditions and infrastructure access: A Comparison of Nairobi, Dakar and Johannesburg.” Policy Research Working Paper 5388, World Bank, Washington, DC, July.

⁷ Alkire, S. and M.E. Santos. 2010. Acute Multidimensional Poverty: A New Index for Developing Countries. Oxford Poverty and Human Development Initiative Working Paper 38., July.

interventions such as participatory planning and development, strengthening of tenure security for residents, and provision of housing and infrastructure services. For the past few years, the government has allocated an annual budget of about Ksh 500 million (US\$6.6 million) to this program. However, the limited funding combined with an emphasis on constructing housing units has prevented the program from achieving large-scale and systematic impacts thus far. A lesson learned is that resources for slum upgrading should be focused on provision of public goods, rather than on private goods.

13. **For the first time in many years, the government is demonstrating a commitment to regularizing tenure of households living in informal settlements.** This commitment is shown by the parliament's approval in December 2009 of the National Land Policy, and in August 2010 of the new constitution which incorporates the National Land Policy. Specifically, the land policy recognizes the need for tenure security for all Kenyans, including residents of informal settlements. The land policy further states that the government shall (a) facilitate the regularization of existing squatter settlements found on public land for purposes of upgrading or development, (b) develop, in consultation with affected communities, a slum upgrading and resettlement program under specified flexible tenure systems, and (c) put in place measures to prevent further slum development. The constitution explicitly states that a principle of the land policy is the elimination of gender discrimination in law, customs, and practices related to land and property in land.

14. **The government has requested support from development partners to facilitate a systematic scale-up of slum upgrading, one that can reach all slums in the medium- to long term.** In response, the World Bank, the Swedish International Development Cooperation Agency (Sida) and the Agence Française de Développement (AFD) have been working with the government to jointly design and prepare the Kenya Informal Settlements Improvement Project (KISIP). KISIP will focus on improving living conditions in existing informal settlements or slums by investing in infrastructure and strengthening tenure security. It will also support the government in planning for future urban growth in a manner that prevents emergence of new slums.

Box 1: A tale of two cities: Living conditions in Nairobi compared with Dakar

Policies and tenure, not just incomes, determine living conditions in the slums of Nairobi and Dakar

FIGURE 1: DEVELOPMENT DIAMOND

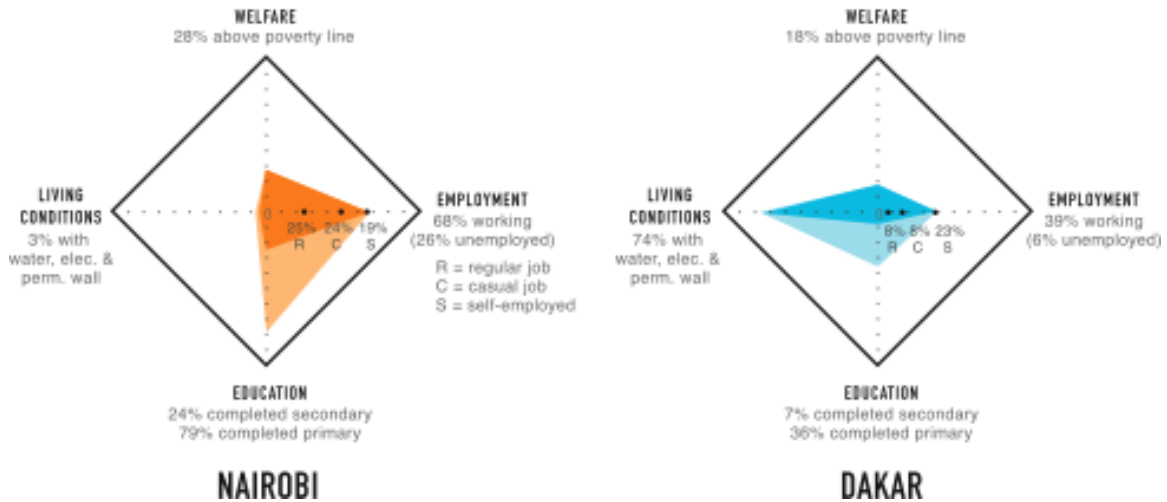
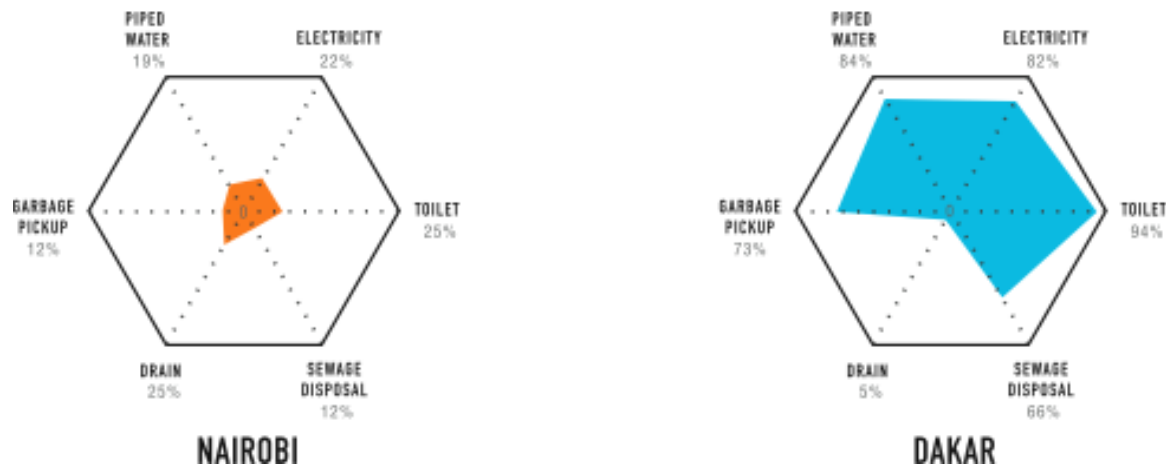
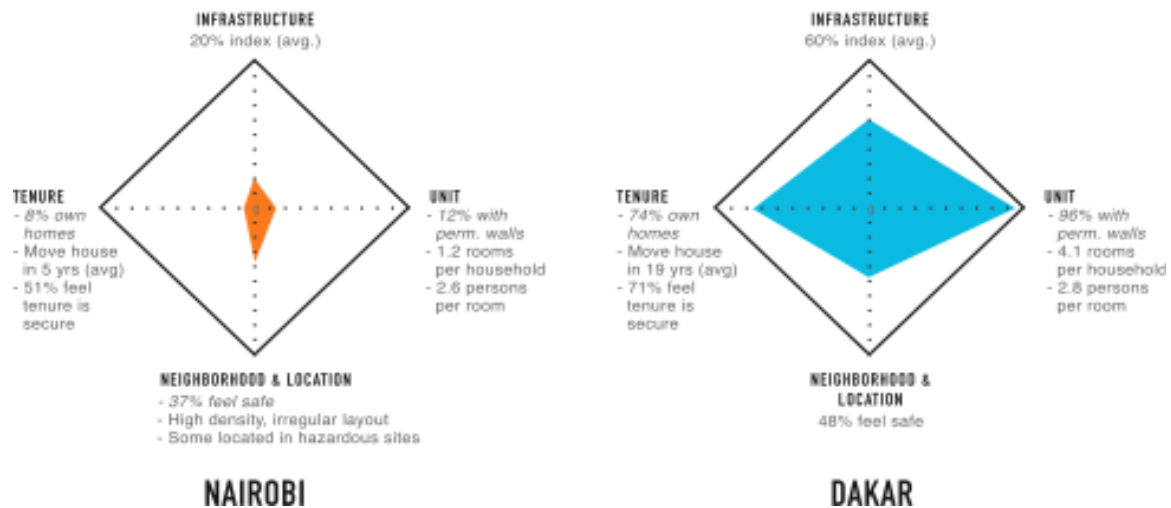


FIGURE 2: INFRASTRUCTURE POLYGON



Box 1 (continued)

FIGURE 3: LIVING CONDITIONS DIAMOND



Sources:

World Bank. 2006. "Inside Informality: Poverty, jobs, housing and services in Nairobi's slums." Report No. 36347-KE, Africa Urban and Water.

Gulyani, S., D. Talukdar and D. Jack. 2010. "Poverty, living conditions and infrastructure access: A Comparison of Nairobi, Dakar and Johannesburg." Policy Research Working Paper 5388, World Bank, Washington, DC, July.

C. Higher level objectives to which the project contributes

15. **The proposed KISIP will contribute to the goals of the government's Vision 2030 and Medium-Term Plan.** KISIP will assist the government to improve the living conditions of residents of urban informal settlements. The 2030 goal for urban areas is to achieve "a well-housed population living in an environmentally-secure urban environment." This will be achieved by bringing basic infrastructure and services—roads, street lights, water and sanitation facilities, stormwater drains, footpaths, and others—to informal settlements. By strengthening tenure security in informal settlements, KISIP will also foster private investment in housing and in businesses. The government's Medium-Term Plan 2008–2013, which presents the first five-year program to implement the Vision 2030, also specifies improving urban informal settlements as a priority. One of its flagship projects is installation of physical and social infrastructure in slums in 20 urban areas to make them formal settlements, permit construction of permanent houses, and attract private investment. The proposed KISIP will directly contribute to this goal.

16. **KISIP will help achieve the objectives of the Bank's Country Partnership Strategy 2010–2013.** KISIP is an integral element of the Country Partnership Strategy (CPS) that was discussed by the World Bank's Board of Directors on April 20, 2010. The CPS emphasizes the themes of growth, equity, and environment, with a special emphasis on governance. KISIP contributes to governance, equity, growth, and improved environmental management agendas. It contributes to the governance agenda by promoting the

participation of slum residents in the development and implementation of plans for upgrading, and the establishment of processes and mechanisms that allow citizens to monitor and give feedback on government performance. KISIP contributes to the CPS's equity objective by supporting the formal recognition of the rights of residents of informal settlements to occupy the land and homes in which they live, thus helping to reduce the vulnerability of residents to displacement without warning or compensation, a not uncommon occurrence in Kenya today. KISIP further promotes equity by upgrading infrastructure and services in the most underserved neighborhoods of cities, thereby helping to directly raise the quality of living conditions of Kenya's poorest and most vulnerable citizens. Bank's 2009 Poverty and Inequality Assessment showed that access to infrastructure assists people to move out of poverty, because it allows households to access opportunities to income-generating activities.⁸ Investment in infrastructure also contributes to the growth agenda by improving the competitiveness of Kenya's cities as places to live and invest. Finally, KISIP directly supports the environmental agenda through its investments in water and sanitation services, solid waste management, stormwater drainage, and public parks.

17. **KISIP will support the same municipalities as KMP.** Given the limited financing available from development partners and the government's desire to demonstrate significant results on the ground, it was agreed that both the KMP and KISIP should focus on a selected set of municipalities. Using transparent selection criteria, 15 municipalities (14 municipalities out of a total of 45 in the country, plus Nairobi City Council) were selected for participation in KMP.⁹ KISIP will work in the same 15 municipalities because efforts under the two programs complement each other. KMP supports improvements in municipal finances, capacity and systems and, simultaneously, invests in city-wide planning, services and trunk infrastructure. KISIP focuses on poor and underserved informal neighborhoods in these municipalities, supporting enhancements in tenure security and settlement-level planning and infrastructure. (The list of 15 municipalities is presented in annex 2.)

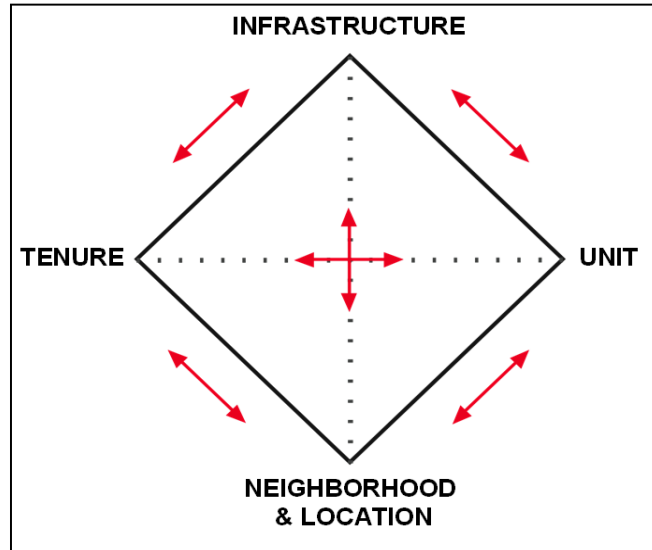
18. **KISIP will use a flexible framework approach for selection and financing of settlements and help test principles for a scalable program.** The program will help create a broader framework for slum upgrading—a framework that is flexible and sustainable, and can reach all informal settlements over the medium to long-term. The program will identify settlements for upgrading on a rolling basis. It will deploy transparent criteria for selection of settlements (see paragraph 20 below), and emphasize performance by making additional funds available to municipalities that meet minimum performance criteria under the KMP-supported Annual Municipal Performance Review.

19. **Project conceptual approach and framework for intervention.** KISIP will use the living conditions diamond as a framework for intervention (figure 1, below). In this framework, living conditions are defined as a composite of indicators along the following four dimensions: (a) unit, (b) infrastructure, (c) tenure, and (d) neighborhood and location. The four dimensions interact with each other and collectively determine quality of living conditions, and changes in any one dimension can trigger changes in the other three aspects.

⁸ World Bank. 2009. "Poverty and Inequality Assessment." Poverty and Economic Management Unit, Africa Region, Report 44190-KE, April.

⁹ In this document, the term "municipalities" includes Nairobi City Council.

Figure 1: Living conditions diamond



20. **To help the government achieve its goal of upgrading slums, the project will operate on the following principles:**

- Focus on improving living conditions.
- Target settlements that score poorly on at least two of the four dimensions of the living conditions diamond.¹⁰
- Intervene through improvements in infrastructure, tenure security, or neighborhood planning, but not directly through improvements of housing units.
- Deliver an upgrading package that is tailored to settlement context and community priorities.
- Adopt a city-wide approach to slum upgrading. KISIP will cover multiple slums in a given city, and seek to connect them to city-wide trunk infrastructure and maintenance systems.
- Adopt a cost cap per hectare for infrastructure investments, to ensure that more slums can be reached within the limited budget envelope of the project.
- Develop and follow a transparent system for selection of settlements.
- Strive to build strong ownership and implementation by municipalities:
 - Municipalities will participate directly in identification of settlements for upgrading, lead the work on community mobilization and consultation, and supervise implementation of upgrading in their jurisdiction. Together with KMP, KISIP will help build capacity of municipalities to increasingly take over, from central ministries (MoH and MoL), the responsibility of procuring works and services financed under the projects.

¹⁰ This document uses the terms “informal settlements” and “sum” interchangeably. For KISIP, informal settlements are defined as those that lack at least two of the following: secure tenure, adequate infrastructure, planning at the settlement level, and quality housing.

- Participation of municipalities is voluntary. To demonstrate ownership, a municipality must adopt a municipal council resolution that explicitly states its interest in participating and willingness to adhere to the project's rules.

21. Criteria for transparent selection of settlements for infrastructure investments.

Settlements will be selected for infrastructure investments under KISIP using the following criteria:

- Land tenure status: a settlement must be located on land that is owned by the government or on land with clear ownership status (poor formal settlements are eligible for infrastructure investments).
- Location: a settlement cannot be located on a hazardous site or in an environmentally fragile area.
- Settlement size and density: larger and denser settlements will receive priority to ensure that as many people as possible benefit from the investments.
- Scale of potential displacement of residents: physical upgrading of the settlement should not entail large-scale displacement (and, thereby, relocation) of residents.
- Proximity to trunk infrastructure: to maximize settlement coverage within a limited budget and to ensure that participating settlements receive connections to citywide infrastructure networks and maintenance systems, in the initial years of project implementation, settlements that are in close proximity to core trunk infrastructure (such as roads and trunk lines for water, sewage or electricity) will receive priority.
- Community readiness to participate. Participation by a community is voluntary, and will depend on its willingness to follow a participatory process to identify priority activities. To qualify communities will have to (a) mobilize and form settlement executive committees, and (b) approve a community resolution. Once a settlement has been identified as eligible using the other criteria, community leaders will be consulted regarding the interest of the community in participating. The community will then need to appoint a settlement executive committee that will lead the participation of the community in the project. This settlement executive committee will comprise at least 33 percent women and will include representatives of vulnerable and marginalized groups (for example, youth, elderly, disabled). The committee will lead the development of a vision for the settlement and preparation of settlement upgrading plans to realize it. To ensure that the plans and investments enjoy the support of the majority of community members, the committee will need to submit a community resolution to the MoH before settlement-level infrastructure begins. Thus, even if a settlement meets all technical criteria and its residents are in advanced stages of planning and design, infrastructure construction will not proceed until the settlement executive committee approves the final design and implementation plan. Moreover, Kenya's Physical Planning Act requires that a plan, once finalized, be published in two daily newspapers requesting members of the public to review and comment on it.

22. Selection of municipalities and settlements for infrastructure investments in year 1. The MoH and municipalities have together prepared an extensive list of informal settlements for the 15 KMP municipalities, and have recorded the status of each settlement

with respect to the eligibility criteria presented above as well as readiness criteria (discussed later). The MoH first categorized the settlements as A, B, C in line with their readiness for infrastructure investment and upgrading, with A indicating the highest level of preparation or readiness. Then, given the commitment to a city-wide approach to upgrading, priority was given to municipalities that had two–three settlements ready for upgrading. This approach also allows for economies of scale and scope in implementation.¹¹ Following this approach, engineering feasibility studies will commence in about 15–18 settlements in 4–8 municipalities to prepare for infrastructure investment in year 1. Additional settlements will benefit from investments once they fulfil the readiness criteria (see annex 2).

2. PROJECT DEVELOPMENT OBJECTIVE

A. Project development objective

23. The project development objective is to improve living conditions in informal settlements in selected municipalities in Kenya. This will be achieved by improving security of tenure and investing in infrastructure based on plans developed in consultation with the community. KISIP will also create and test a national framework for systematic improvement and continuing investments in informal settlements, which can reach all informal settlements over the medium to long term. In addition to supporting improvements in existing informal settlements, KISIP will also support the MoH, the MoL, and local authorities in planning to help them anticipate and manage future demand for housing and environmentally healthy neighborhoods as cities expand.

B. Project beneficiaries

24. The primary beneficiaries of KISIP will be the residents of the participating informal settlements. Some will benefit from strengthened security of tenure, which, in turn will give them confidence to invest in their homes and in their neighborhoods. Once residents receive security of tenure, the communities are expected to become more stable with lower turnover. At this stage, a settlement executive committee will be established and the process of identifying investment priorities will begin. Many poor settlements in Kenya are on private land where tenure security is not an issue, but where a lack of planning and investment in infrastructure results in poor living conditions. Residents in these settlements will benefit from increased access to infrastructure and services under the project, such as access roads, street and security lighting, water and sanitation services, and solid waste collection. Slums are home to many female-headed households, as women typically leave their husband's home upon being widowed, divorced, or separated. A special effort will be made to promote gender equity and ensure that the project benefits women as well as men.

¹¹ This does not exclude municipalities with fewer settlements from participating, if settlements meet all other criteria.

C. Project development objective level results indicators

25. Key project outcome indicators include:¹²

- Direct project beneficiaries (number), of which female (percent).
- People in informal settlements provided with access to improved drainage under KISIP (number).
- People in informal settlements provided with access to all-season roads within a 500 meter range under KISIP (number).
- People in informal settlements provided with access to improved water sources under KISIP (number).
- People benefiting from improved tenure security under KISIP (number).

3. PROJECT DESCRIPTION

A. Project components

26. **The project comprises four components.** These are: (1) strengthening institutions and program management, (2) enhancing tenure security, (3) investing in infrastructure and service delivery, and (4) planning for urban growth. The details of the four components and the proposed activities are presented below.

27. **Component 1: Strengthening institutions and program management** (*IDA US\$10.0 million*). This component will support institutional strengthening and capacity building of the MoH, the MoL, selected land institutions, and the selected municipalities. It will also support development of policies, frameworks, systems, and guidelines for slum upgrading. The component will support an institutional analysis of the MoH to clarify the roles and responsibilities of the ministry under the new constitution. It will support municipal-level housing strategies to serve as input into the broader city strategic plans being developed under the KMP. This component will finance the community mobilization in slums to ensure that slum residents participate fully in designing and overseeing implementation of upgrading plans. It will support implementation of a systematic training and capacity building program for the MoH and the MoL. It will also assist with studies or technical advisory services identified during project implementation to strengthen the MoH, the MoL, and the municipalities. Finally, it will finance the management activities associated with program implementation.

28. **Institutional strengthening for MoH.** The role of MoH is to act as a facilitator in provision of housing for low and middle income households. This includes leading the development of new or revised policies for housing and delivery of serviced land. To strengthen the capacity of the MoH to perform its current and future responsibilities, component 1 will support activities that include:

¹² The first four indicators are core indicators for the Bank.

- An institutional analysis of MOH to define its new roles and responsibilities under the new constitution.
- Establishment of a housing quality index.
- Development of a database with a slum inventory.

29. **Institutional strengthening for MoL.** To strengthen the capacity of the MoL and selected land institutions to perform their current and future responsibilities, component 1 will support activities that include:

- Identification and implementation of measures to improve the speed and efficiency of mapping, planning, survey, and land registration.

30. **Institutional strengthening for municipalities.** Support will assist local authorities to effectively play their important role in improving living conditions in informal settlements. Specifically, component 1 will support activities that include:

- Development and implementation of settlement upgrading plans (including the facilitation of increased interaction of community development officers with communities and civil society organizations).
- Development of city-specific slum upgrading investment plans.
- Development and implementation of plans for financing infrastructure operations and maintenance and start-up costs.

31. **Support for program management and implementation.** Component 1 will finance the management activities associated with program implementation. This includes establishing and operating a monitoring and evaluation (M&E) system. It also involves carrying out socio-economic surveys of slum settlements at the beginning and end of the project, with the aim of understanding how the project's interventions are changing living conditions in these settlements and the impact these changes are having on residents.

32. **Component 2: Enhancing tenure security** (*IDA US\$8.0 million*). This component will directly support implementation of the new national land policy in urban informal settlements through refinement, systematization, and scale-up of ongoing efforts to strengthen tenure security in slums.

- Preparation of guidelines for implementation in informal settlements of the 2009 Land Policy.
- Establishment of a database on the land tenure status of slums.
- Establishment or upgrading of the GIS labs at the MoL.
- Community organization and mobilization.
- Preparation of part development plans, including determination of settlement boundaries.
- Detailed mapping of existing slum settlements.
- Identification and verification of beneficiaries based on agreed eligibility criteria.
- Preparation of local physical development plans.

- Issuance of letters of allotment/offer to individual households or groups.
- Surveying of individual plots and preparation of registry index maps.
- Preparation, registration, and issuance of titles to individual households or to groups.

33. **Settlements are at different stages of tenure regularization.** The MoL has been working on planning and tenure regularization of unplanned and poor settlements in various urban areas in the country. The project will support MoL in scaling up the process, and will assist with any of the steps to regularization, from community mobilization, to preparation of a part development plan, to surveying, to the registration and issuance of titles to individuals or groups. To the extent feasible, settlements benefiting from enhancements in tenure security will also benefit from infrastructure investments under component 3.

34. **Tackling the land survey bottleneck by introducing bulk survey approaches.** The MoL has been active in initiating tenure regularization projects in many urban informal settlements. A key insight emerging from this experience is that the regularization process often stalls after letters of offer or allotment have been issued. This is because plot surveys, conducted by licensed private surveyors, are often too expensive for residents of informal settlements. In addition, owners have to pay various fees to formally register and obtain their title. To tackle this problem, the project will support introduction of bulk survey approaches that entail simultaneous survey of all plots in a given settlement. This will help to significantly reduce unit costs. The project will also provide support to the MoL in simplifying the steps and reducing fees for title registration, including waiving fees for the urban poor. For more on Kenya’s experience with land titling, see the appendix in annex 2.

35. **Supporting improved systems and approaches for mapping and planning.** The project will support enhancement of the systems and processes at the MoL for mapping and planning of informal settlements, an area that is currently under resourced and which is a constraint to scale-up. It will also support contracting out of physical planning activities to independent qualified firms and licensed surveyors, thereby allowing the physical planning department of the MoL to move from its impossible role of drafting plans for each informal settlement in the country to one where it acts as enabler and approver of plans.

36. **Tenure security can be enhanced without titling, and can be further increased through infrastructure investments.** Although component 2 directly supports various stages of tenure regularization and titling, it is important to acknowledge that tenure security can be achieved at an intermediate stage of the regularization process, especially if this is complemented with public infrastructure investments. The MoL indicates that a good indicator of settlement readiness for infrastructure investment is for the settlement to have both a part development plan and a survey plan approved by the MoL and for the residents of the settlement to have their names included on a list of legitimate residents compiled by the settlement executive committee. The tenure rights of such legitimate residents will then be registered under a group title or household title, depending on the population density of the settlement. Kenya’s Sectional Properties Act (number 21 of 1987), provide for the “division of buildings into units to be owned by individual proprietors and common property to be owned by proprietors of the units as tenants in common and to provide for the use and management of the units and common property and connected purposes.”

37. **Component 3: Investing in infrastructure and service delivery** (*IDA US\$70.3 million*). This component will support investment in settlement infrastructure, and, where necessary, extension of trunk infrastructure to settlements.

38. **Investment menu.** The following areas of investments will be eligible for financing under KISIP: roads, bicycle paths, pedestrian walkways, street and security lighting, vending platforms, solid waste management, stormwater drainage, water and sanitation systems, electrification, public parks, and green spaces.¹³ Other investments, such as schools and health clinics, will not be eligible. The selection and prioritization of investments from the positive list will be based on a set of agreed criteria, consistent with the principles outlined below.

39. **Principles for selection.** Selection of investments will be guided by the following principles:

- The service should be selected from the agreed investment menu.
- The investment should be a priority specified in the physical upgrading plan developed by the residents of the informal settlement through a participatory process.
- The chosen infrastructure investments should be economically justifiable (as shown by cost-benefit analyses or, for small investments (below US\$500,000), by cost-effectiveness analyses).
- Arrangements for operations and maintenance must be sound and give confidence that service delivery will be sustainable.
- Environmental and social impacts of infrastructure investments are positive.
- Budget and per hectare cost are within agreed limits.

40. **Designs for slum upgrading and infrastructure will take into consideration issues of urban and environmental design to prevent crime and violence.** Crime and violence often contribute to the poor living conditions of slums and can themselves pose a risk to project implementation and the sustainability of project outcomes. Policy makers, urban planners, and architects have been exploring approaches to preventing crime and improving security in cities and urban neighborhoods through improved design of buildings and urban spaces. Typical approaches aim to reduce the opportunities for crime by increasing the effort and risks for offenders and reducing the rewards by improving outdoor lighting, creating public spaces which permit easy surveillance by the public, and focusing on access into and out of buildings and neighborhoods. The project will support expertise to work with communities in developing settlement-specific designs to reduce crime and violence and increase a sense of security of residents.

41. **Collaboration with the Bank-financed Water and Sanitation Improvement Project (WaSSIP).** The Bank-supported WaSSIP currently under implementation will invest about US\$8 million in water and sanitation improvements in the informal settlements of Nairobi (US\$5 million), Mombasa (US\$2 million), and Malindi (US\$1 million). For this

¹³ Proposals for investments not explicitly on the negative list will be considered on a case-by-case basis.

work, some settlements have already been selected and preparation is underway, including production of base maps, enumeration of households, development of physical plans, and preparation of engineering documents. The WaSSIP and KISIP will strive to work in the same settlements where possible, with the WaSSIP financing investments in water and sanitation, and KISIP financing complementary infrastructure, such as drainage and roads. In settlements where the WaSSIP is not active, KISIP will finance investments in water and sanitation. Further strengthening coordination, the Water Sector Boards participate in meetings with the KISIP team at the municipal level.

42. **Collaboration with the Bank-financed Electricity Expansion Project.** The Bank-supported Electricity Expansion Project includes US\$15 million to extend electricity connections to slum areas.¹⁴ KISIP team will inform the energy team of settlements that have selected electricity as a priority, and facilitate investments through the energy project.

43. **Settlement readiness criteria for infrastructure investment and scoring.** Settlements that meet the eligibility criteria specified in paragraphs 20 and 21 will be scored on level of preparation and readiness for infrastructure investments. The criteria include:

- Land tenure. Settlements where tenure has been regularized or where regularization initiatives are underway, will be accorded a higher score for readiness.
- Planning and complementary investments. Higher scores for readiness will be given to settlements that have:
 - A part development plan approved by the MoL.
 - Some ongoing infrastructure investments, such as installation of a trunk sewer line, that can be complemented by support under the KISIP.

44. **Component 4: Planning for urban growth (IDA US\$4.0 million).** This component will support planning and development of options that facilitate delivery of infrastructure services, land, and affordable housing for future urban growth. The objective is to identify alternatives to the current haphazard practice of informally establishing settlements on open land. This component will be flexible in identifying and leveraging opportunities and will support the types of activities discussed below.

National level:

- A systematic study of the main impediments to delivery of housing and serviced land that is affordable to households in the lower two income quintiles of the urban population.
- Analysis of the financing available for low-income housing, and development of strategies to improve access to financing. The study will examine current financing available to end-users in lower income groups to construct or purchase housing, and to developers for increasing the supply of affordable housing (both for ownership and rental purposes).

¹⁴ This includes US\$5 million from IDA, US\$5 million from the Global Partnership on Output Based Aid, and US\$5 million from the Kenya Power and Light Company.

- Development of systems, standards, or policies that facilitate delivery of serviced land and housing for low-income households. This includes, for example, formulation or implementation of revised standards for planning and land development (such as reductions in minimum plot sizes and setbacks, or increases in floor-area-ratios and building heights) that can go a long way in increasing the affordability (and, potentially, the availability) of the least-cost formal-sector housing unit on the market. This work, as well as the broader policy dialogue on housing, will be informed by results of the above mentioned studies.

Municipal level:

At the municipal level, support will be based on demand and priorities set by selected municipalities and may include:

- Analysis of housing supply and demand in selected municipalities, and development of city-specific housing strategies and action plans.
- Technical assistance for: (a) preparation of options or plans for redevelopment of council-owned housing; (b) drafting of local building and planning by-laws, including those that may be required to implement the new national building code that will come into effect in early 2011; and (c) identification of land for additional housing (either in greenfield sites or in existing settlements that are not fully occupied) and preparation of site-specific housing development plans.¹⁵

45. **This component is explicitly designed to be exploratory and to identify, develop, and leverage innovations.** Clearly, it is important to go beyond the problems plaguing the current stock of slum housing and plan for future demand for affordable housing. At the same time, there are few precedents—of cities or of development projects—in the developing world that have managed to deliver sufficient housing or land for low-income residents to prevent the emergence of new slums. Accordingly, this component is designed to be flexible and it will support analysis, exploration and innovation at both the national and municipal levels. The more successful innovations or experiences under this component could subsequently be implemented at scale under a follow on project. Given the emphasis on exploration and innovation, this component contributes only indirectly to the project development objective.

B. Project financing

46. **The lending instrument for the proposed KISIP will be a Specific Investment Loan (SIL).** A SIL is the appropriate instrument for KISIP, because it will support activities that require intensive design and implementation support of technical, financial, economic, environmental, and institutional issues associated with enhancing tenure security and with upgrading slums. The thorough support offered by the Bank under a SIL will also help to ensure that the investments benefit the targeted groups. The team envisages that the Bank

¹⁵ For example, in cities such as Mombasa and Malindi, there are several informal and unplanned settlements that are not fully occupied or densely settled and introduction of planning can help. This would entail demarcation of right-of-ways for roads, carving out of plots for individual occupancy or multi-storey housing, and auctioning off or allocation of these plots for development of new housing. In some cases, these efforts could be completed by provision of basic infrastructure under component 3.

will provide long-term support for slum upgrading, with a second five-year project to follow the first.

47. **KISIP is estimated to cost US\$100 million but can be scaled up and complemented with additional financing.** IDA will finance US\$100 million of the costs. The government will add US\$10 million as counterpart financing; this will include non-cash contributions (such as staff time and space) and incremental costs beyond the amount financed by IDA. Further, bilateral development partners, Sida and AFD, intend to deliver additional financing to the government that can, *inter alia*, help broaden coverage to a larger number of informal settlements than those to be covered by IDA alone.

Table 1: KISIP IDA financing

Component	IDA Financing	% Financing
1. Strengthening institutions and program management	10.0	100
2. Enhancing tenure security	8.0	100
3. Investing in infrastructure and delivery of services	70.3	100
4. Planning for urban growth	4.00	100
Unallocated	7.7	100
Total project costs	100.0	100
Total financing required	100.0	100

C. Lessons learned and reflected in the project design

48. Experience in Kenya, other Sub-Saharan African countries (including Tanzania, Senegal, Burkina Faso, and Mali), as well as Bank experience in other regions (for example, Indonesia and Latin America) offers the following key lessons:

- *Tenure security can be achieved through a variety of approaches.* Experience shows that tenure security can be conferred without full legalization. Strengthening security of tenure sufficiently to allow infrastructure investment to proceed can be conferred by simple governmental action: recognizing the settlement, stopping demolition, establishing a cooperative working relationship with local leaders, and investing in basic infrastructure and services. KISIP will support tenure regularization as well as infrastructure investments in slums.
- *Improvement of informal settlements cannot be achieved without the active involvement of slum communities.* Many attempts to upgrade informal settlements have had limited success because of failure to fully involve community residents in the planning, implementation, monitoring, of investments. A lesson from the government-financed Kenya Slum Upgrading Program is to fully involve all members of the community, including landlords and tenants and men and women, in the selecting priorities and in identifying legitimate members of the community. The proposed KISIP will not invest in any informal settlement until communities, through a participatory process, agree on a vision, prepare upgrading plans, and submit a community resolution to the municipality and the MoH.

- *Training and capacity building of different groups are essential to success.* KISIP offers capacity building support to the MoH, the MoL, municipalities and informal settlements, tailored to demand. (Municipal administrations will receive most of their capacity building support under the KMP).
- *Upgrading interventions need to be tailored to local context and conditions.* For example, an approach that focuses only on infrastructure upgrading (and not on issues pertaining to tenure) may work in certain cities and settlements, but is likely to fail in other slums. The upgrading program for Kenya needs to be flexible and must allow for improvements in planning, tenure and/or infrastructure depending on the context.
- *Upgrading programs need to be city wide to sufficiently augment supply of improved settlements and to integrate them into city systems.* Experience in other countries shows that rents will increase in upgraded settlements to levels unaffordable by their current poor residents, unless upgrading is city wide. It is only by investing at a large scale and by dealing with the broader housing market that upgrading programs can successfully hope to reach the poor. Moreover, upgrading slums simultaneously facilitates their integration with city-wide infrastructure systems.
- *Given limited resources, resources for slum upgrading should be focused on provision of public goods, rather than on private goods, such as housing.* A key lesson from the Kenya Slum Upgrading Program is that providing housing for settlement residents can quickly exhaust all the available resources to upgrade slums, leaving many with no improvements at all. To achieve city-wide impact, resources to improve quality of life in informal settlements should be used for public infrastructure and not private housing.
- *To enjoy the support of the general public, tenure regularization must be done on the basis of a clear government policy.* In the past, households have sometimes been given title to land at the direction of high-ranking government officials. Under the KISIP, households will gain access to land or real property following a systematic approach in line with the new National Land Policy whose key provisions are embedded in the new constitution. It will target squatters primarily on public land.
- *Capacity to undertake the regularization process must be in place if large scale regularization is to take place.* In the past, the MoL has lacked the capacity to regularize more than a small number of informal settlements each year. Under the proposed project, support will be available to prepare operational guidelines and to hire consultants to assist with each step in the process of regularization.

4. IMPLEMENTATION

A. Partnership arrangements

49. **KISIP is jointly prepared by the World Bank, AFD, and Sida.** The three agencies have partnered in preparation of KISIP from its inception. Sida is financing two technical

experts to assist the MoH in preparing and implementing KISIP. In terms of financing, AFD intends to contribute €30 million (US\$41 million equivalent) and Sida intends to contribute US\$10 million. Sida and AFD are evaluating options for delivery of this support to government; the additional funding will enable the government to reach more informal settlements and to go beyond targets set for IDA-financing. Sida expects approval from its Board shortly after KISIP has been approved by the World Bank Board. AFD expects Board approval in 2011.

50. **Other partnerships.** The Bank is leading the development partner group on urban development, local government, and decentralization, which comprises all the major development partners actively supporting upgrading of informal settlements. The group meets regularly with the objective of ensuring that available resources are used as effectively as possible to support the government's development strategy. The Bank also maintains an active dialogue with organizations such as UN Habitat, Cities Alliance, Rockefeller Foundation, and the Association of Local Government Authorities of Kenya to align efforts in the urban sector in accordance with their comparative advantages.

51. **The Urban Knowledge and Implementation Program.** Given the agreement among development partners to jointly finance three large programs in the sector (KMP, KISIP and NMSP), a special effort is required to support knowledge creation and sharing in the sector and to facilitate their preparation and implementation. Towards this goal, Sida is financing an Urban Knowledge and Implementation Program that is supporting activities to generate and disseminate knowledge and to build capacity of the government to implement the project. The program is managed by the World Bank on behalf of the development partners. Sida is also supporting the work of civil society organizations engaged in slum upgrading under its Civil Society Urban Development Program and Fund.

52. **Collaboration with AFD-supported water and sanitation projects.** KISIP will coordinate closely with AFD-financed water and sanitation infrastructure projects, in particular the Nairobi Water and Sewerage Emergency Physical Investment Project, the Mombasa Water Supply and Sewerage Project, and the Kisumu Water Supply and Sanitation Project. A list of informal settlements covered under both the ongoing AFD-supported water projects and KISIP will be agreed.

B. Institutional and implementation arrangements

53. **Overall responsibility.** The Recipient is the Government of the Republic of Kenya. The Office of the Deputy Prime Minister and Ministry of Finance (MoF) will be responsible for ensuring that project resources are budgeted for and released. The Office of the Auditor General will be responsible for auditing of project accounts.

54. **Executing and implementing agencies.** The MoH is the executing agency. It will work closely with the MoL and with Water Services Boards in implementing the project.¹⁶ A

¹⁶ Technically, Water Service Boards and Water Service Providers are responsible for delivery of water and sanitation at the local level. Accordingly, Water Service Boards may be contracted for delivery of water and sanitation services in selected informal settlements.

project coordination team (PCT) at the MoH will be responsible for overall program coordination (including liaising with senior government officials and the Bank team), KISIP financial management, procurement, monitoring and evaluation (M&E), and reporting. The PCT will also be responsible for managing KISIP's learning and communications activities. The PCT at the central level will consist of a project coordinator, four component heads, team assistants, and specialists in gender, social, and community development, environmental management, financial management, procurement, M&E. The key personnel of the PCT have been appointed and have participated fully in preparing the proposed KISIP. The PCT will be strengthened with technical advisors with expertise in procurement, financial management, environment and social safeguards, monitoring and evaluation, gender and community development, and design and implementation of infrastructure projects. Independent consulting engineers—who will be responsible for following up on implementation of construction contracts and to certify construction quality—will be contracted prior to the start of works, and will report directly to the KISIP coordinators at central and municipal levels.

55. The selected municipalities are responsible for implementing many KISIP-financed activities, with their responsibilities increasing in line with their capacity. Municipalities have appointed PCTs, which have day-to-day responsibility for implementing agreed activities and for M&E at the settlement level. They will benefit from advisory support of the municipal technical assistance pools, being financed under the KMP. These three to four teams of consultants will deliver hands-on and tailored support to selected municipalities, each of which will cover 3–5 municipalities. Among other responsibilities, the teams will assist municipalities to prepare detailed proposals for settlement upgrading investments to be submitted to the MoH for review and approval. Water Service Boards, in line with their mandates, will be given full responsibility for procurement and financial management of investments in water and sanitation. The details of the respective roles and responsibilities of the MoH, MoL, the Water Service Boards, and of the municipalities are presented in KISIP operations manual.

56. Guiding principles. The guiding principles for KISIP implementation are as follows:

- Use of the ministry, municipal, and settlement structures and systems for project implementation. Activities will be implemented at the level which ensures efficiency, and there will be a special emphasis on facilitating implementation by municipalities themselves.
- The permanent secretary of the MoH shall be the overall accounting officer for the project, and shall use a merit and qualifications based mechanism to appoint the project coordinator and team. The project coordinator—whose position shall not be below deputy head of department in the ministry—will be responsible for overall coordination of project activities.
- Project activities will be assigned and managed by staff from the relevant departments or divisions of the MoH, the MoL, the Water Services Boards, and the municipal administrations.

- Where there are capacity gaps, the ministries and municipalities may recruit technical assistants to assist the existing staff. Such technical assistants would mentor and train the staff that they support. The technical assistants shall report to the relevant heads of department/division.

57. **Implementation support plan.** The World Bank's KISIP core team is based in Nairobi, which facilitates frequent dialogue with the government counterpart teams, and permits ongoing implementation support. The Bank will conduct at least two formal missions per year jointly with development partners, with a full complement of experts, including the Bank's financial management and procurement staff.

C. Results monitoring and evaluation

58. **Objectives and design.** The objective of the monitoring and evaluation (M&E) system is to generate timely and relevant feedback on the project's implementation progress and achievement of expected outcomes to enable the government and Bank teams to address issues as quickly as possible once they arise. Monitoring and reporting will take place at both the settlement and the central levels. The M&E specialists responsible for collecting settlement-level data will be part of KISIP PCT at the municipal level. They will collect and report on indicators of tenure security, infrastructure constructed or rehabilitated, service delivery, and others. They will also be responsible for monitoring and reporting on the participatory processes that are followed in preparing plans for settlement upgrading. Finally, they will monitor and report on indicators of implementation progress to be agreed with the MoH PCT. The M&E specialists at the MoH will be responsible for establishing the M&E system, and training and backstopping M&E specialists in municipal administrations. They will also prepare quarterly and annual KISIP progress reports, based on the information from the municipal-level M&E specialists and on information from the project's coordinator, and specialists in procurement, financial management, environmental and social safeguards, social and community development, engineering, and others. They will also lead the government's participation in a midterm review scheduled for early 2013.

59. **Data generation.** The data to track many of the key performance indicators will come from central and municipal sources and from project-specific surveys. For example, information on the tenure status of settlements will come from MoL offices at municipalities. The number of households benefiting from strengthened tenure security will come from the settlement censuses carried out under KISIP and other projects that have conducted social economic surveys prior to working in settlements (such as WaSSIP). The information on creation of project-financed infrastructure will come from reports of the independent supervision consultants. Data on improvements in overall living conditions will come from socio-economic surveys to be carried out twice in each beneficiary settlement, once prior to the start of works and again a year or so after the completion of the intervention (whether tenure security or infrastructure). These socio-economic surveys will collect gender-disaggregated data to enable the team to understand the impact of the project's interventions on both women and men. Socio-economic surveys will also be carried out in settlements that do not receive any interventions to allow researchers in the future to assess the impact of the project on settlement residents and on urban development.

60. **Reporting.** The MoH PCT is responsible for submitting quarterly and annual project progress reports to the Bank, to the permanent secretary of the MoH, and to the selected municipalities within six weeks of the end of each quarter. The Bank and government teams will discuss the findings of reports during each supervision mission and agree on actions to address issues raised in the reports.

61. **Capacity building for M&E.** The project will finance a detailed M&E and reporting system plan expected to be ready by project effectiveness. The project will finance training of M&E specialists, technical assistance, and other capacity support required to establish an effective M&E system. The project will also finance follow-on training and workshops to enable M&E specialists from different municipalities to learn from each other and to ensure that normal staff turnover does not disrupt the M&E effort.

D. Sustainability

62. **Sustainability of investments in infrastructure and service delivery depends on incentives and availability of resources for operations and maintenance.** In the past, institutions involved in providing infrastructure and services often lacked incentives, capacity, and resources for adequate operations and maintenance. KISIP addresses each of these constraints. First, it will strengthen *incentives* by providing resources to municipalities on the basis of performance. Thus, municipalities that make progress in strengthening tenure security, that successfully implement infrastructure projects in informal settlements, and that include an adequate budget for operating and maintaining the services will be eligible to receive additional funds under KISIP to invest in informal settlements. Second, it will enhance *capacity* for operations and maintenance of the municipal administration by delivering tailored support for capacity building, complementing KMP's efforts in this area. Third, it will finance infrastructure investments only if the municipality or relevant utility take responsibility for operating and maintaining the assets, and integrate these into citywide systems of infrastructure management. Operations and maintenance plans will be presented in each investment proposal.

5. Key Risks and Mitigation Measures

63. The following are the key risks that the project faces and the proposed risk mitigation measures:

Risks	Risk Mitigation Measures	Risk Rating with Mitigation
Project stakeholder risks		
Municipalities or informal settlements that are not included in the project may object to the project and declare that it	General. Municipalities have been selected to participate in the KMP and KISIP on the bases of transparent criteria, and a phased	Medium

<p>demonstrates favoritism.</p> <p>Some residents of slums may attempt to capture benefits for themselves at the expense of others.</p> <p>Interest of qualified contractors to bid on and implement infrastructure projects in settlements may be limited.</p>	<p>approach whereby other municipalities and settlements can be included later on. (The criteria and phased approach for selection of municipalities are described in the KMP Project Appraisal Document.) Settlements will also be selected according to transparent criteria, and a phased approach.</p> <p>Enhancing tenure security. The project will follow a rigorous process to support enhancing of security of tenure to ensure that households benefiting are genuine residents of slums. It will support this activity only in communities where there are no disputes over land or property ownership.</p> <p>Infrastructure. KISIP will provide support for infrastructure only when a community (a) mobilizes and forms a settlement executive committee, (b) prepares a participatory settlement upgrading plan, and (c) submits a community resolution to the MoH endorsing the plan.</p> <p>The project team will encourage municipalities to package activities in a manner that create projects of a size that will interest potential contractors.</p>	
<p>Implementing agency risks</p>		
<p>Implementation may be slow due to MoH's lack of prior experience with Bank projects.</p> <p>Staff with training and experience with Bank procurement may not remain for long at the MoH, due to low public sector salaries.</p> <p>Weak financial management controls at municipalities may delay their receiving special accounts and slow project implementation.</p>	<p>Internal audit unit at the ministry and municipal councils will monitor compliance with internal control systems to ensure that they are improved. The capacity of the internal auditors for the municipal councils and audit committees (both at ministry and municipal councils) is to be strengthened using resources from the Public Financial Management reform program and Kenya Municipal Program. KENAO will also strengthen its capacity under the ongoing public financial management reform program in order to address the backlog of audit reports for the municipal councils.</p> <p>The MoF is working to have project accounting software by February 2011 that will be used for this project while in the municipalities, under the Kenya Municipal Program, their accounting software will be strengthened.</p>	<p>High</p>

	<p>With regard to financial reporting, capacity building training will be conducted by the bank to build the capacity of the project staff to prepare interim financial reports.</p> <p>A criterion for settlements to benefit from the infrastructure investments is that they have a informal settlement improvement plan that has been prepared in a participatory manner.</p> <p>KISIP will support the establishment and use of a robust M&E system at the municipal and central levels.</p> <p>The MoH will meet regularly with civil society organizations and other stakeholders in a public forum to discuss issues arising in the implementation of the KISIP.</p> <p>KISIP will support a multi-faceted learning and communications program that will disseminate information and gather citizen feedback through a website and traditional media.</p> <p>The Bank’s KISIP team includes a specialist in the use of techniques to promote accountability through citizen voice. This person will develop, put into place, and monitor the effectiveness of various approaches to enhance government accountability to citizens.</p> <p>Procurement under KISIP will be handled according to Bank procedures.</p> <p>A settlement executive committee will oversee the process of enumerating legitimate residents of slums.</p> <p>KISIP will finance an independent consulting engineer to supervise implementation (including certification of contractor payment).</p> <p>KISIP will finance an annual audit of KISIP financial accounts to be undertaken by KENAO under terms of reference agreed by the Bank.</p>	
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	KISIP will support the undertaking of various types of audits, each of which is designed to answer different questions about program implementation.	
Project-level risks		
<p>KISIP will support the upgrading of infrastructure, all of which will require resources for operations and maintenance, yet this has not traditionally been a priority of the government.</p> <p>The PCTs at both central and municipal levels have little experience with collecting and compiling data into coherent reports. Good coordination between the central and municipal M&E specialists will be required to produce high-quality, accurate and timely quarterly progress reports.</p>	<p>KISIP will only finance infrastructure projects for which an operations and maintenance plan has been prepared.</p> <p>KISIP contains clear key performance indicators and provides support for establishment of a robust M&E system. The MoLG M&E specialists will provide periodic training and backstopping for the M&E specialists at the municipal level.</p> <p>Consultants are assisting the MoH in preparing terms of reference and bidding documents, and in evaluating bids. KISIP will finance independent consulting engineers who will be responsible for following up on implementation of construction contracts and to certify construction quality. They will be contracted prior to the start of works, and will report directly to the KISIP coordinator. The Bank will closely supervise the implementation of the project through its country office based staff.</p> <p>Tenants of residences in slums in formal slums may face rising rents as a result of infrastructure improvements, and be unable to afford the higher rents.</p>	Medium-I
Overall risk rating		High

6. APPRAISAL SUMMARY

A. Economic and financial analyses

64. **Economic analysis.** KISIP is a framework-type project, meaning that the investments are not known in advance of Board approval. However, in addition to the selection criteria specified earlier, municipalities will participate fully in identifying the settlements where interventions will have the highest rate of return, because they are large, dense, and close to trunk infrastructure. The municipal technical assistant pools (financed under the KMP) are also expected to help in this area through development of a methodology and capacity building. A detailed cost-benefit analysis of each investment will be conducted

as part of the feasibility studies of proposed investments. For small projects (for example below US\$500,000) for which full feasibility studies are not required, the municipalities will provide cost-effectiveness analyses, demonstrating that the proposed approach is the most cost effective way of achieving the desired outcome. Cost-benefit analyses are not required for the project's institutional strengthening, enhancing tenure security, or planning for urban growth components.

65. **Financial analysis.** All investments will require funds for operations and maintenance. As part of their proposals for financing, municipalities or entities (such as Water Sector Boards) will be required to provide estimates of costs for operations and maintenance over the expected life of the infrastructure project and plans of how the costs will be financed, including through user fees (water supply), or budgetary allocations (roads and street lighting). The operations and maintenance plans for infrastructure projects will generally be carried out as part of the feasibility studies. The planned expenditures for operations and maintenance costs of approved infrastructure projects will be reflected in the proposed budgets of the municipalities.

66. **Fiscal impact.** KISIP is expected to have a positive impact on Kenya's fiscal framework by improving the productivity of the residents of informal settlements, who will save time by being able to access better roads, water services, and sanitation facilities. Residents of informal settlements may also enjoy a lower burden of disease due to the improved living conditions. By encouraging the use of cost-benefit analysis for subproject selection—a tool that is currently not often used in Kenya—the project will help to strengthen the fiscal framework by ensuring that only investments whose benefits exceed their costs are pursued.

B. Technical

67. The project approach builds on and strengthens systems and institutions already in place in Kenya. As described above, the design conforms to international standards (a) by investing in infrastructure only after tenure security has been or is being enhanced, (b) by recognizing a variety of approaches for strengthening tenure security, (c) by investing only on the basis of slum upgrading plans prepared by the community, and (d) by combining investment in existing informal settlements with support for increasing the supply of serviced land.

C. Financial management

68. A financial management assessment of MoH and 15 municipalities that will implement the project was conducted. The municipalities, MoL, and the Water Service Boards that will receive funding under KISIP are expected to meet eligibility criteria described in annex 3 before funds are disbursed. The financial management residual risk rating for the project has been assessed as substantial and an action plan to address the risks is included in annex 3.

69. A good draft of the operations manual that includes financial management arrangements has been prepared by the project. It will be updated as a living document to address issues that arise during implementation. A number of actions to be done during project implementation are documented in the financial management action plan in annex 3.

D. Procurement

70. A procurement assessment concludes that the MoH and municipalities have weak capacity to carry out procurement activities related to KISIP. Some executing and implementing agencies of KISIP (MoH, MoL, some Water Services Boards, and municipalities) are not familiar with Bank procurement procedures and have no experience in implementing Bank financed projects. As a result, procurement risk is assessed as ‘high.’ Risk mitigating measures have been suggested and need to be agreed with the KISIP PCT. The 18 month procurement plan was reviewed and agreed during negotiations. It will be updated annually to reflect project implementation needs. A brief summary of the procurement capacity assessment and project procurement arrangements are provided in annex 3. More details are available in the project files.

E. Social

71. **The project explicitly aims to enhance participation in local planning processes and programs.** KISIP will strengthen mechanisms of community participation by investing only in communities that prepare upgrading plans through fully participatory processes. Through its investments in tenure security and infrastructure in informal settlements, the project will help improve the quality of living conditions for their residents, generating significant social benefits.

72. **Relocation and resettlement.** All efforts will be made to minimize involuntary displacement and relocation of residents. Given the population density in most of the informal settlements, the proposed infrastructure investments may entail displacement of small number of people. People displaced involuntarily will be compensated in line with the Bank’s Involuntary Resettlement Policy. A resettlement policy framework has been prepared to adequately mitigate any unavoidable impacts associated with the land acquisition and displacement, including the impact-specific entitlements. Based on the impacts, resettlement action plans or abbreviated resettlement action plans will be prepared to mitigate the impacts and propose suitable implementation arrangements (more information is provided in annex 3 on social safeguards).

73. **KISIP will make a special effort to ensure that women benefit fully from the project.** The settlement executive committees that will lead the enumeration of legitimate residents of settlements and preparation of settlement upgrading plans will comprise at least 33 percent women. This will ensure that women are able to benefit from the tenure regularization (females who are heads of households are entitled to an individual household title or, in the case of a community title, be formally recognized as a member of the community). It will also ensure that women are able to influence the choice and location of infrastructure investments. Women are expected to benefit disproportionately from some of

the investments, such as in water and sanitation facilities. A member of the gender mainstreaming committee at the MoH is a member of the KISIP's PCT. This specialist has been involved in developing the ministry's gender mainstreaming policy, which the ministry will formally adopt in early 2011. The specialist will promote implementation of the policy at the ministry and settlement levels. The central technical assistance team at the MoH will include a gender/social development specialist, who will provide advice, training, and other support to promote gender mainstreaming at the ministry and in settlements. Gender disaggregated data will be collected through the settlement socio-economic surveys to allow assessment of the project's impact on both women and men.

F. Environment

74. **KISIP follows a flexible design, where investments to be financed will be demand-driven and subjected to a screening process to ensure that technical selection criteria are met and environmental and social issues are adequately identified and addressed.** An Environment and Social Management Framework (ESMF), which includes a resettlement policy framework as volume 2, has been prepared to align with these design principles and complement the government's environmental assessment process.

75. **Environment assessment, preparation and consultation process.** The ESMF identifies and addresses environmental and social issues in project design and implementation. The ESMF serves as a comprehensive and systematic guide for: (a) screening all investments to determine the nature and magnitude of issues and, where necessary, the scope of municipal project-specific environment impact assessments (EIAs) and the social impact assessments, as per government regulations and the applicability of the Bank's environment and social safeguard policies; (b) development of environment management plans (EMPs) and guidelines to manage identified impacts along with budgetary provisions; (c) application of procedures for compliance with government laws, regulations, and Bank's safeguard policies; (d) identification of appropriate institutional arrangements for the implementation and monitoring of EMPs; and (e) capacity building needs. For infrastructure projects requiring a full EIA, the preparation of the EIA and the environmental management plan EMP will be integrated into the design, detailed engineering drawings, bills of quantities, and contract documents, prior to commencements of works.

76. **Institutional arrangements and capacity building for environmental and social management.** The PCT will include environment and social development officers who will be responsible for coordination with the selected municipalities to apply the ESMF and RPF. They will also coordinate and liaise with other agencies at the center such as the National Environmental Management Agency, the ministries of lands and housing and others as required and relevant. These officers will monitor the preparation and supervision of EMP and RAPs for the investments. They will also organize various capacity building initiatives for the selected municipalities and facilitate regulatory and statutory clearances as required. Staffing plans for selected municipalities also include qualified environment and social development officers as part of the municipal PCTs responsible for KISIP. A training plan will be prepared as part of the ESMF incorporating the short (project specific) and longer-

term capacity building needs of the MoH and the municipalities. The plan will consist of different training modules specific to the needs of various target groups.

77. **Stakeholder consultation.** In accordance with the applicable Bank policies, public consultations at local level (in areas where specific investments will be made) will be carried out for all proposed investments. The consultation process for the project includes a range of formal and informal on-site discussions, interviews, focus group discussions and meetings and targeted stakeholders such as local residents, local organizations, municipalities, local civil society organizations, and selected government line departments. To discuss the draft ESMF and RPF, workshops were held at the national level. The objective was to obtain inputs on the draft ESMF and RPF and to seek views on the approach towards minimization and mitigation of potential negative impacts on people and environmental resources. Expert opinion on specific issues related to the over-all design/components of the project and applicability of environmental regulations was also sought during these workshops. Outputs from this process were integrated into the project design, wherever technically feasible. The public involvement process will continue through the project implementation stage as well.

G. Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP 4.01)</u>	[X]	[]
Natural Habitats (<u>OP/BP 4.04</u>)	[]	[X]
Pest Management (<u>OP 4.09</u>)	[]	[X]
Cultural Property (<u>OP/BP/4.11</u>)	[X]	[]
Involuntary Resettlement (<u>OP/BP 4.12</u>)	[X]	[]
Indigenous Peoples (<u>OP/BP 4.10</u>)	[]	[X]
Forests (<u>OP/BP 4.36</u>)	[]	[X]
Safety of Dams (<u>OP/BP 4.37</u>)	[]	[X]
Projects in Disputed Areas (<u>OP/BP 7.60</u>)	[]	[X]
Projects on International Waterways (<u>OP/BP 7.50</u>)	[]	[X]

78. Environmental Assessment (OP/BP/GP 4.01). The environment category of the project is B. An ESMF has been prepared. This includes: (a) environmental screening for all investments to be applied prior to their selection and/or in parallel with the municipal project identification/engineering feasibility study; (b) environmental assessments along with preparation of an EMP for investments as determined by the screening and government regulations; (c) integration of EMPs into detailed engineering design, bid and contract documents prior to award of works. As the consultancy firms conducting the engineering and safeguard studies are different, an independent review of the ESMF was not required for the project.

79. Cultural Property (OP/BP/ 4.11). Appropriate procedures have been developed along with budgetary provisions for protection, relocation and/or enhancement of cultural and religious properties (as the case may be) as part of the ESMF. These also cover “chance find” of archeological significance during excavation works during construction.

80. Involuntary Resettlement (OP/BP/4.12). Since this project involves multiple municipal projects to be identified based on demand from the selected municipalities subject to meeting the pre-identified criteria, the exact nature and details of impacts will not be known prior to Board presentation. Therefore, a RPF has been prepared. This RPF has outlined the process for various pre-construction activities such as screening, social impact assessments, baseline census surveys, and preparation and implementation of (RAPs) for individual investments. The RPF also describes the compensation for land acquisition and loss of other assets and assistance to be provided for different types of impacts. Most of the investments are likely to focus on infrastructure rehabilitation and improvement, rather than large-scale new works. However, given the population density in most of the informal settlements, the proposed infrastructure investments may entail displacement of small number of people. Overall, the process of screening for each municipal project will determine the likely impacts and, where necessary, mitigation plans will be prepared prior to issuance of bids for the respective investments.

**Annex 1: Results Framework and Monitoring
KENYA: Informal Settlements Improvement Project**

Results Framework

Project Development Objective (PDO): Improve living conditions in informal settlements in selected municipalities.												
PDO Level Results Indicators*	Core	Unit of Measure	Baseline	Cumulative Target Values ¹⁷					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Description (indicator definition etc.)
				YR 1	YR 2	YR3	YR 4	YR5				
1. Direct project beneficiaries (number), of which female (percent). ¹⁸	X	Number and percent	0	0	175,000 (50% female)	350,000 (50% female)	525,000 (50% female)	700,000 (50% female)	Before start, and a year or so following end of intervention.	Socio-economic surveys to be carried out in each beneficiary settlement.	MoH	See footnote.
2. People in informal settlements provided with access to improved drainage infrastructure under KISIP.	<input type="checkbox"/>	Number	0	0	50,000	100,000	150,000	200,000	Before start, and a year or so following end of intervention.	Socio-economic surveys to be carried out in each beneficiary settlement.	MoH	
3. People in informal settlements provided with access to all-season roads within a 500 meter range under KISIP.	X	Number	0	0	50,000	100,000	150,000	200,000	Before start, and a year or so following end of intervention.	Socio-economic surveys to be carried out in each beneficiary settlement.	MoH	
4. People in informal settlements provided with access to improved water sources under KISIP.	X	Number	0	0	25,000	50,000	75,000	100,000	Before start, and a year or so following end of intervention.	Socio-economic surveys to be carried out in each beneficiary settlement.	MoH	

¹⁷ Targets are set only for the US\$100 million of IDA financing. They are indicative only, as the settlements benefiting from component 2 (enhanced tenure security) and component 3 (investing in infrastructure and service delivery) are determined for only the first 18 months of the project. Moreover, the specific infrastructure projects must still be discussed and agreed by communities.

¹⁸ Direct beneficiaries are people or groups who directly derive benefits from the project intervention (for example, people living in informal settlements who benefit from improved water and sanitation services, or people who benefit from increased tenure security). People who benefit from more than one intervention (for example, people benefiting from both enhanced tenure security and from improved infrastructure) will be counted only once with respect to this indicator.

5. People benefiting from improved tenure security under component 2 of the KISIP. ¹⁹		Number	0	0	45,000	90,000	135,000	180,000	Before start, and a year or so following end of intervention.	Enumeration of genuine settlement residents.	MoL	See footnote.
INTERMEDIATE RESULTS												
Intermediate Result (Component 1): Strengthening institutions												
1. Policies, frameworks, and guidelines for slum upgrading developed and adopted by the MoH.	<input type="checkbox"/>	Number	0	0	0	0	0	2	Annual	MoH records.	MoH	
2. Housing quality index established.		Housing quality index in use.	0	Housing quality index designed.	Consultation on housing quality index takes place.	Housing quality index adopted.	Housing quality index updated and published.	Housing quality index updated and published.	Semi-annually.	Publication available with the housing quality index.	MoH	
3. Database with slum inventory operational and accessible to the public.		Yes/No	0	Database designed.	Database tested.	Database operational and accessible to the public.	Database operational and accessible to the public.	Database operational and accessible to the public.	Semi-annually.	Visits to the MoL to access the database.	MoH	
Intermediate Result (Component 2): Enhancing security of tenure in selected informal settlements												
1. Informal settlements benefiting from enhanced tenure security under KISIP.		Number and area (hectares)	0	0	5 (100 hectares)	12 (240 hectares)	18 (360 hectares)	25 (500 hectares)	Annual	MoL records.	MoL	These include slums at any stage of tenure formalization (from settlement registration to survey to issuance of

¹⁹ People benefiting from enhanced security of tenure range from those deemed genuine residents of slums that are starting the process of regularization (and whose settlements have a survey plan approved by the MoL) to those receiving titles. People who benefit from enhanced security of tenure will be counted only once, even if they benefit from more than one step of the process (for example, a person may first receive a right in a community title and later receive an individual title to his or her living unit, but will only be counted once).

												titles).
2. GIS lab at the MoL upgraded and operational.	<input type="checkbox"/>	Yes/No	0	GIS lab upgrade designed	GIS lab tested	GIS lab operational	GIS lab operational	GIS lab operational	Semi-annually.	Visits to the MoL to observe the lab in operation.	MoH	
Intermediate Result (Component 3): Investing in infrastructure and service delivery												
1. Infrastructure sub-projects functioning one year after completion and with operations and maintenance arrangement in place.		Percent	0	0	0	70	80	90	Semi-annually.	Annual technical audits.	MoH	
2. People in settlements provided with access to improved shared sanitation facilities under the KISIP.		Number	0	0	1,900	3,800	5,700	7,600	Annually	Independent supervision consultant.	MoH	This allows for recognition of shared facilities constructed under KISIP.
3. New piped household water connections under KISIP	X	Number	0	0	100	1,000	2,000	4,000	Quarterly	Independent supervision consultant.	MoH	
4. New sewer connections constructed under the project	X	Number	0	0	0	10	100	200	Quarterly	Independent supervision consultant.	MoH	
5. Roads rehabilitated, non-rural	X	Kilometer	0	0	10	20	30	40	Quarterly	Independent supervision consultant.	MoH	
7. New street or security lights put into place under the KISIP		Number	0	0	20	80	120	160	Quarterly	Independent supervision consultant.	MoH	
Intermediate Result (Component 4): Planning for urban growth												
1. Study of constraints to delivery of serviced land completed.		Yes/no	0	No	Yes				Annually	MoH records	MoH.	
2. Preparation of city-specific housing strategies and action plans.		Number	0	0	0	3	4	5	Annually	MoH records	MoH	

Annex 2: Detailed Project Description
KENYA: Informal Settlements Improvement Project

Basic entry conditions for municipalities and rules of access to finance

1. Municipalities will need to meet the following criteria or basic entry conditions to access support and funding under KISIP:

- *To access funds under KISIP, municipalities must qualify for and participate in KMP.* All municipalities participating in KMP will be eligible to access funding from KISIP. However, given that the scale and nature of the issues relating to informal settlements varies significantly among municipalities, a given municipality may opt to participate only in a selected component of KISIP.
- *Core municipal staff in place.* Both KMP and KISIP require certain municipal staff to be in place for implementation. Under KMP, it has been agreed that the following staff are required for municipalities to function in general and also to participate effectively in programs such as KMP and KISIP: town clerk, treasurer, engineer, planner, internal auditor, procurement officer, environment officer, social development officer, surveyor, human resources officer, and a monitoring and evaluation officer. In many municipalities some of these key positions are currently vacant or staffed with under-qualified personnel. The responsibility for filling these positions lies with the MoLG and the process is underway.
- *Municipality's KMP and KISIP coordinators and teams are in place.* To participate, a municipality must assign a coordinator for KISIP and identify the core team, in particular staff who will serve as component heads for each of the four components. It is expected that KMP and KISIP will share a municipal-level project coordinator and several core team members (for example, procurement, financial management, safeguards and monitoring and evaluation officers). However, KISIP will require some additional dedicated staff (for example, community development specialists and MoL staff to work on tenure regularization).
- *Municipal council resolution.* Participation in KISIP is voluntary and requires serious commitment from municipalities to improve informal settlements in their jurisdiction. It was agreed that, as a first step, municipalities will pass council resolutions confirming their intention to participate and to adopt approaches supported under KISIP.
- *Municipal performance will determine level of access to finance and number of settlements that are upgraded under KISIP.* Settlements will be selected on a rolling basis for infrastructure investment and upgrading. Selection will be made on the basis of specific criteria, presented in the section below. The number of settlements and overall investment envelope for each municipality will depend on implementation progress in the preceding year, and will also be influenced by a municipality's ratings in the Annual Municipal Performance Review conducted under the KMP.

Project components

- 2. KISIP comprises four components.** These are: (1) strengthening institutions and program management, (2) enhancing tenure security, (3) investing in infrastructure and service

delivery, and (4) planning for urban growth. The details of the four components and the proposed activities are presented below.

3. **Component 1: Strengthening institutions and program management** (*IDA US\$10.0 million*). This component will support institutional strengthening and capacity building of the MoH, the MoL, and the selected municipalities. It will also support development of policies, frameworks, systems, and guidelines for slum upgrading. The component will support an institutional analysis of the MoH to clarify the roles and responsibilities of the ministry under the new constitution. It will support municipal-level housing strategies to serve as input into the broader city strategic plans being developed under the KMP. This component will finance the community mobilization in slums to ensure that slum residents participate fully in designing and overseeing implementation of upgrading plans. It will support implementation of a systematic training and capacity building program for the MoH and the MoL. It will also assist with studies or technical advisory services identified during project implementation to strengthen the MoH, the MoL, and the municipalities. Finally, it will finance the management activities associated with program implementation.

4. **Institutional strengthening for MoH.** The role of MoH is to act as a facilitator in provision of housing for low and middle income households. This includes leading the development of new or revised policies for housing and delivery of serviced land. To strengthen the capacity of the MoH to perform its current and future responsibilities, component 1 will support activities that include

- An institutional analysis of MoH to define its new roles and responsibilities under the new constitution.
- Establishment of a housing quality index.
- Development of a database with a slum inventory.

5. **Institutional strengthening for MoL.** To strengthen the capacity of the MoL and selected land institutions to perform their current and future responsibilities, component 1 will support activities that include:

- Identification and implementation of measures to improve the speed and efficiency of mapping, planning, survey, and land registration.

6. **Institutional strengthening for municipalities.** Support will assist local authorities to effectively play their important role in improving living conditions in informal settlements. Specifically, component 1 will support activities that include:

- Development and implementation of settlement upgrading plans (including the facilitation of increased interaction of community development officers with communities and civil society organizations).
- Development of city-specific slum upgrading investment plans.
- Development and implementation of plans for financing infrastructure operations and maintenance and start-up costs.

7. **Support for program management and implementation.** Component 1 will finance the management activities associated with program implementation. This includes establishing and operating a monitoring and evaluation (M&E) system. It also involves carrying out socio-economic surveys of slum settlements at the beginning and end of the project, with the aim of understanding how the project's interventions are changing living conditions in these settlements and the impact these changes are having on residents.

8. **Component 2: Enhancing tenure security** (*IDA US\$8.0 million*). This component will directly support implementation of the new national land policy in urban informal settlements through refinement, systematization, and scale-up of ongoing efforts to strengthen tenure security in slums.

- Preparation of guidelines for implementation in informal settlements of the 2009 Land Policy.
- Establishment of a database on the land tenure status of slums.
- Establishment or upgrading of the GIS labs at the MoL.
- Community organization and mobilization.
- Preparation of part development plans, including determination of settlement boundaries.
- Detailed mapping of existing slum settlements.
- Identification and verification of beneficiaries based on agreed eligibility criteria.
- Preparation of local physical development plans.
- Issuance of letters of allotment/offer to individual households or groups.
- Surveying of individual plots and preparation of registry index maps.
- Preparation, registration, and issuance of titles to individual households or to groups.

9. **Settlements are at different stages of tenure regularization.** The MoL has been working on planning and tenure regularization of unplanned and poor settlements in various urban areas in the country. The project will support MoL in scaling up the process, and will assist with any of the steps to regularization, from community mobilization, to preparation of a part development plan, to surveying, to the registration and issuance of titles to individuals or groups. To the extent feasible, settlements benefiting from enhancements in tenure security will also benefit from infrastructure investments under component 3.

10. **Tackling the land survey bottleneck by introducing bulk survey approaches.** The MoL has been active in initiating tenure regularization projects in many urban informal settlements. A key insight emerging from this experience is that the regularization process often stalls after letters of offer or allotment have been issued. This is because plot surveys, conducted by licensed private surveyors, are often too expensive for residents of informal settlements. In addition, owners have to pay various fees to formally register and obtain their title. To tackle this problem, the project will support introduction of bulk survey approaches that entail simultaneous survey of all plots in a given settlement. This will help to significantly reduce unit costs. The project will also provide support to the MoL in simplifying the steps and reducing fees for title registration, including waiving fees for the urban poor. For more on Kenya's experience with land titling, see the appendix in annex 2.

11. **Supporting improved systems and approaches for mapping and planning.** The project will support enhancement of the systems and processes at the MoL for mapping and planning of informal settlements, an area that is currently under resourced and which is a constraint to scale-up. It will also support contracting out of physical planning activities to independent qualified firms and licensed surveyors, thereby allowing the physical planning department of the MoL to move from its impossible role of drafting plans for each informal settlement in the country to one where it acts as enabler and approver of plans.

12. **Tenure security can be enhanced without titling, and can be further increased through infrastructure investments.** Although component 2 directly supports various stages of tenure regularization and titling, it is important to acknowledge that tenure security can be achieved at an intermediate stage of the regularization process, especially if this is complemented with public infrastructure investments. The MoL indicates that a good indicator of settlement readiness for infrastructure investment is for the settlement to have both a part development plan and a survey plan approved by the MoL and for the residents of the settlement to have their names included on a list of legitimate residents compiled by the settlement executive committee. The tenure rights of such legitimate residents will then be registered under a group title or household title, depending on the population density of the settlement. Kenya's Sectional Properties Act (number 21 of 1987), provide for the "division of buildings into units to be owned by individual proprietors and common property to be owned by proprietors of the units as tenants in common and to provide for the use and management of the units and common property and connected purposes."

13. **Component 3: Investing in infrastructure and service delivery** (*IDA US\$70.3 million*). This component will support investment in settlement infrastructure, and, where necessary, extension of trunk infrastructure to settlements.

14. **Investment menu.** The following areas of investments will be eligible for financing under KISIP: roads, bicycle paths, pedestrian walkways, street and security lighting, vending platforms, solid waste management, stormwater drainage, water and sanitation systems, electrification, public parks and green spaces.²⁰ Other investments, such as schools and health clinics, will not be eligible. The selection and prioritization of investments from the positive list will be based on a set of agreed criteria, consistent with the principles outlined below.

15. **Principles for selection.** Selection of investments will be guided by the following principles:

- The service should be selected from the agreed investment menu.
- The investment should be a priority specified in the physical upgrading plan developed by the residents of the informal settlement through a participatory process.
- The chosen infrastructure investments should be economically justifiable (as shown by cost-benefit analyses or, for small investments (below US\$500,000), by cost-effectiveness analyses).

²⁰ Proposals for investments not explicitly on the negative list will be considered on a case-by-case basis.

- Arrangements for operations and maintenance must be sound and give confidence that service delivery will be sustainable.
- Environmental and social impacts of infrastructure investments are positive.
- Budget and per hectare cost must be within agreed limits.

16. **Designs for slum upgrading and infrastructure will take into consideration issues of urban and environmental design to enhance a sense of security.** Crime and violence often contribute to the poor living conditions of slums and can themselves pose a risk to project implementation and the sustainability of project outcomes. Policy makers, urban planners, and architects have been exploring approaches to preventing crime and improving security in cities and urban neighborhoods through improved design of buildings and urban spaces. Typical approaches aim to reduce the opportunities for crime by increasing the effort and risks for offenders and reducing the rewards by improving outdoor lighting, creating public spaces which permit easy surveillance by the public, and focusing on access into and out of buildings and neighborhoods. The project will support expertise to work with communities in developing settlement-specific designs to reduce crime and violence and increase a sense of security of residents.

17. **Collaboration with the Bank-financed Water and Sanitation Improvement Project (WaSSIP).** The Bank-supported WaSSIP currently under implementation will invest about US\$8 million in water and sanitation improvements in the informal settlements of Nairobi (US\$5 million), Mombasa (US\$2 million), and Malindi (US\$1 million). For this work, some settlements have already been selected and preparation is underway, including production of base maps, enumeration of households, development of physical plans, and preparation of engineering documents. The WaSSIP and KISIP will strive to work in the same settlements where possible, with WaSSIP financing investments in water and sanitation, and KISIP financing complementary infrastructure, such as drainage and roads. Further strengthening coordination, the Water Sector Boards participate in meetings with KISIP PCT at the municipal level.

18. **Collaboration with the Bank-financed Electricity Expansion Project.** The Bank-supported Electricity Expansion Project includes US\$ 15 million to extend electricity connections to slum areas.²¹ KISIP team will inform the energy team of settlements that have selected electricity as a priority, and facilitate investments through the energy project.

19. **Settlement readiness criteria for investment and scoring.** Settlements that meet the eligibility criteria specified in paragraphs 20 and 21 will be scored on level of preparation and readiness for infrastructure investments. The criteria include:

- Land tenure. Settlements where tenure has been regularized or where regularization initiatives are underway, will be accorded a higher score for readiness.
- Planning and complementary investments. Higher scores for readiness will be given to settlements that have:
 - A part development plan approved by the MoL.

²¹ This includes US\$5 million from IDA, US\$5 million from the Global Partnership on Output Based Aid, and US\$5 million from the Kenya Power and Light Company.

- Some ongoing infrastructure investments, such as installation of a trunk sewer line, that can be complemented by support under the KISIP.

20. **Component 4: Planning for urban growth** (*IDA US\$4.0 million*). This component will support planning and development of options that facilitate delivery of infrastructure services, land and housing for future urban growth. The objective is to identify alternatives to the current haphazard practice of informally establishing settlements on open land. This component will be flexible in identifying and leveraging opportunities and will support the types of activities discussed below.

National level:

- A systematic study of the main impediments to delivery of housing and serviced land that is affordable to the lower two quintiles of the urban population.
- Analysis of the financing available for low-income housing, and development of strategies to improve access to financing. The study will examine current financing available to end-users in lower income groups to construct or purchase housing, and to developers for increasing the supply of affordable housing (both for ownership and rental purposes).
- Development of systems, standards, or policies that facilitate delivery of serviced land and housing for low-income households. This includes, for example, formulation or implementation of revised standards for planning and land development (such as reductions in minimum plot sizes and setbacks, or increases in floor-area-ratios and building heights) that can go a long way in increasing the affordability (and, potentially, the availability) of the least-cost formal-sector housing unit on the market. This work, as well as the broader policy dialogue on housing, will be informed by results of the above mentioned studies.

Municipal level:

At the municipal level, support will be based on demand and priorities set by selected municipalities and may include:

- Analysis of housing supply and demand in selected municipalities, and development of city-specific housing strategies and action plans.
- Technical assistance for: (a) preparation of options or plans for redevelopment of council-owned housing; (b) drafting of local building and planning by-laws, including those that may be required to implement the new national building code that will come into effect in early 2011; and (c) identification of land for additional housing (either in greenfield sites or in existing settlements that are not fully occupied) and preparation of site-specific housing development plans.²²

21. **This component is explicitly designed to be exploratory and to identify, develop or leverage innovations.** Clearly, it is important to go beyond the problems plaguing the current

²² For example, in cities such as Mombasa and Malindi, there are several informal and unplanned settlements that are not fully occupied or densely settled and introduction of planning can help. This would entail demarcation of right-of-ways for roads, carving out of plots for individual occupancy or multi-storey housing, and auctioning off or allocation of these plots for development of new housing. In some cases, these efforts could be completed by provision of basic infrastructure under component 3.

stock of slum housing and plan for future demand for affordable housing. At the same time, there are few precedents—of cities or of development projects—in the developing world that have managed to deliver sufficient housing or land for low-income residents to prevent emergence of new slums. Accordingly, this component is designed to be flexible and it will support analysis, exploration and innovation at both the national and municipal levels. The more successful innovations or experiences under this component could subsequently be implemented at scale under a follow on project. Given the emphasis on exploration and innovation, this component contributes only indirectly to the project development objective.

KISIP IDA financing table

Component	IDA Financing	% Financing
1. Strengthening institutions and program management (to be implemented by the MoH, MoL, and municipalities)	10.0	100
2. Enhancing tenure security (to be implemented by the MoL)	8.0	100
3. Investing in infrastructure and delivery of services (to be implemented by the MoH, Water Service Boards, and municipalities)	70.3	100
4. Planning for urban growth (to be implemented by the MoH and municipalities)	4.0	100
Unallocated	7.7	
Total project costs	100.0	100
Total financing required	100.0	100

Financing by implementing entity*

	IDA financing
MoH	40
MoL	12
Municipalities	40
Water Service Boards	8
Total	100

Note: Figures in this table are indicative only, as activities to be supported will be based on demand, and the capacity of the various agencies to implement the project.

Table 2: List of settlements for first year investments

No	Settlement	Size hectares	Population size	Component 2	Component 3
Eldoret					
1	Mwenderi (Huruma)	65	20,000		X
2	Kamukunji	10	8,000		X
3	Munyaka	40	12,000		X
4	Langas	405	40,000	X	
Subtotal Component 3		115	40,000		
Nakuru					
5	Gilani	18	20,000		X
6	Kaptembwo	187	120,000		X
7	Kwa Rhonda	288	50,000		X
Subtotal Component 3		493	190,000		
Naivasha					
8	Kihoto	75	30,000		X
9	Karagita	16	20,000		X
10	Kamere	20	50,000		X
11	Tarabete	21	45,000		X
Subtotal Component 3		57	145,000		
Mombasa					
12	Mikanjuni	14.5	4,500		X
13	Ziwa la Ngombe	52.3	37,500		X
14	Likoni 203	8.5	20,000	X	
15	Shika Adabu	13	15,000	X	
Subtotal Component 3		66.8	42,000		
Total Component 3		732	417,000		

Notes: The population figures are estimates and will be revised based on settlement-specific surveys. Mombasa and Nairobi settlements to be confirmed in April 2011.

Municipality	Settlement	Land tenure status	Size in hectares	Population	Population density (people/hectare)	Trunk proximity	PDP	Survey status	Planning status	Community status	Comp. 2 - Land tenure	Comp. 3 – Infrastructure	Year for intervention
Eldoret	Munyaka	Private residents have share certificate	40	12,000	300	Road is 2.5 km away, sewer 1 km and near electricity and water	Yes	Complete	Subdivision scheme available	Previous interventions and organized community groups	n/a	A. Water supply	Year 1 Component 3
Eldoret	Mwenderi (Huruma)	Private individual titles registered	65	20,000	308	Near water, electricity, sewer and road	Yes	Complete	Plans and maps available	Previous interventions (ELDOWAS access road, solid waste) and organized community groups	n/a	A. Drainage	Year 1 Component 3
	Kamukunji	Private individual titles registered	10	8,000	800	Near water, electricity, sewer and road	Yes	Complete	Subdivision scheme available	Previous interventions (ELDOWAS access road, solid waste) and organized community groups	n/a	A. Water supply	Year 1 component 3

Eldoret	Langas	Private residents, no individual titles	405	40,000	99	Near water, electricity, sewer and road	Yes		Subdivision scheme available	Previous interventions (road gravelling, storm water, street lighting) and organized community groups	A. Regularization process	B. Access roads, walkways, solid waste	Year 2 Component 3
Nakuru	Gilani	Private individual titles registered for block 7	18	20,000	1,111	Far from water, electricity, road and sewer	Yes		Maps available	Previous interventions and organized community groups		A	Year 1 for component 3
Nakuru	Kaptembwo	Private individual titles registered for block 24	187	120,000	642	Near water, electricity, road and sewer	Yes		Maps available	Previous interventions and organized community groups		A? - study	Year 1 for component 3

Nakuru	Kwa Rhonda	Private individual titles registered	288	50,000	174	Near water, electricity, road and sewer	Yes		Maps available	Previous interventions (high mast, school and maternity ward under the Kenya Slum Upgrading Program) and organized community groups		A		Year 1 for component 3
Naivasha	Kamere	Private land	20	50,000	2,500	Near water, electricity, road and sewer			Private subdivision on scheme plan	Previous interventions and organized community groups		A. Water distribution?		Year 1 for component 3
Naivasha	Karagita	Private land	16	20,000	1,250	Near water, electricity, road and sewer	Yes	Done	Maps available	Previous interventions and organized community groups	n/a	A. Roads, drainage, street lights		Year 1 for component 3
Naivasha	Tarabete / Kasarani	Part private and part council land	21	45,000	2,143	Near water, electricity, road and sewer	Yes, for Council land			Previous interventions and organized community groups.		A. Water distribution?		Year 1 for component 3

Mombasa	Ziwa la Ngombe	Government land	52.3	37,500	717		Approved PDP + plans		Kenya Slum Upgrading Program housing and other interventions. Organized community groups	A. Review of survey	A. Roads, drainage, street lights	Year 1 components 2 and 3
Mombasa	Mikanjuni	Government land	14.5	4,500	310		Approved PDP + plans		No previous intervention but organized community groups	A. Review of survey	A. Roads, drainage, street lights	Year 1 components 2 and 3
Mombasa	Likoni 203	Government land	8.5	20,000	2,353		Not done			A. Survey	B	Year 2-3 components 2 and 3
Mombasa	Shika Adabu	Government land, letters of offers have been given, freehold	13				Not done		No previous intervention but organized community groups	A. Bulk survey		

Notes: In the table “n/a” means “not applicable.”

Table 3: Population growth in the 15 selected municipalities, 1999–2009

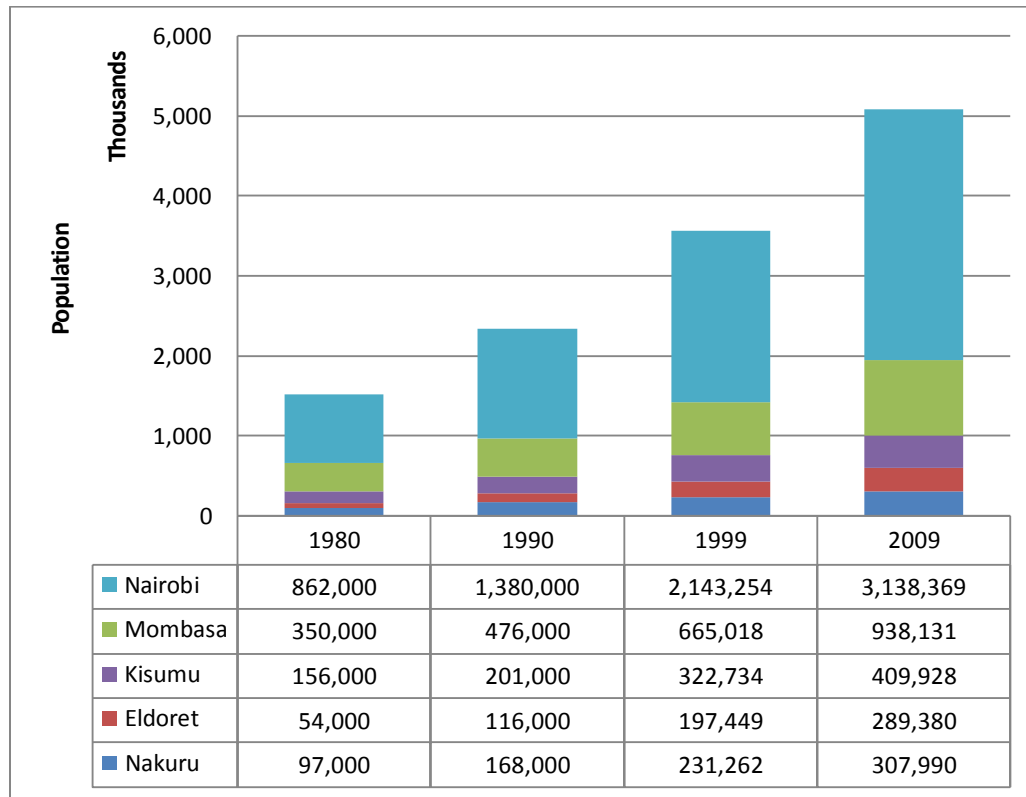
	Population 1999	Population 2009	Percentage change	Percentage total population
Total country	28,686,607	38,610,097	34.6%	
Total urban	9,996,991	12,487,375	24.9%	32.3%
Total urban + periurban*		15,171,032		39.3%

Municipality	Population 1999	Population 2009	Percentage change	Compound Annual Growth Rate
Nairobi	2,143,254	3,138,369	46%	3.9%
Mombasa	665,018	938,131	41%	3.5%
Kisumu	322,734	409,928	27%	2.4%
Nakuru	231,262	307,990	33%	2.9%
Eldoret	197,449	289,380	47%	3.9%
Malindi	118,428	207,253	75%	5.8%
Naivasha	158,678	181,966	15%	1.4%
Kitui	106,873	155,896	46%	3.8%
Machakos	143,274	150,041	5%	0.5%
Thika	106,707	139,853	31%	2.7%
Nyeri	101,238	125,357	24%	2.2%
Garissa	69,203	119,696	73%	5.6%
Kericho	93,213	103,911	11%	1.1%
Kakamega	74,115	91,768	24%	2.2%
Embu	52,446	60,673	16%	1.5%
Total	4,583,892	6,420,212	40%	3.4%

Source: Population and Housing Censuses, 1999 and 2009, National Bureau of Statistics (formerly, Central Bureau of Statistics).

* Peri-urban is defined, by the National Bureau of Statistics, as areas within urban boundaries that lack public services.

Figure 2: Population growth in Kenya’s five main cities



Source: World Bank. 2008. “Cities of Hope?: Governance, Economic and Human Challenges of Kenya’s Five Largest Cities.” Census Data 1999 and 2010.

Appendix

Kenya

Rich Experience with Systematic Land Titling in Rural but not Urban Areas: Explanation

1. Of Kenya's 4.3 million land titles, about 2.0 million (covering 8.1 million hectares) have been issued in rural areas through systematic adjudication and registration (community-oriented adjudication and registration in bulk) using the Land Adjudication Act.²³ This compares with less than 30,000 titles (subject to confirmation with the MoL) in urban informal settlements which have been issued based on a government circular of 1993 on the systematic identification and settlement of squatters. Below are the reasons why systematic titling has worked in rural areas, and not in urban informal settlements in the past, and how the proposed project will improve on past efforts.

2. Systematic land titling in rural areas started in 1955 as an approach to implement the Swynnerton Commission report on rural land management reform in 1954; it was later followed by several resettlement schemes primarily in medium and high potential agricultural areas of Kenya. The approach was successful in issuing many titles at a relatively low cost because of the following factors:

- The approach covered entire communities at one time in terms of adjudication and registration, taking advantage of economies of scale;
- The approach did not require the usually costly survey of boundaries of land but instead relied on communities and neighbors agreeing on boundaries, followed by planting hedges on those boundaries as was commonly done in rural England, and marking the land parcel on an aerial photo to avoid registration of overlapping parcels or multiple registration of the same parcel;
- Documentation of rights was on the less contentious trust land which was native reserve under colonial rule and later was vested in the county councils as trust land after independence; and
- Individual and group titles were registered as opposed to group or community titles.²⁴

3. Unlike the rural systematic land titling program which documented rights of rural landholders, the regularization of tenure in urban areas has focused on squatters on public (government) land in urban informal settlements and started in the 1970s in the Coast Province in Mombasa. It has issued largely individual titles under leasehold, but also some group titles such as a community land trust (granted to communities through a single title that guarantees ownership rights for all members), and share certificates through cooperative societies. While it has spread to many urban areas in the country, there have been few such initiatives in Nairobi.

²³ Other rural land registration programs were: (a) the land settlement program (in the former white highlands) which issued 268,000 titles covering 1.2 million hectares; and (b) the group ranches program, which issued 65,000 group titles on 3.0 million hectares of land. All these titles in rural areas issued under the land adjudication program, the land settlement program, and the group ranches program were primarily under freehold. In addition to these freehold titles, Kenya issued leasehold titles, estimated at 2.38 million, primarily in urban areas. Altogether, about 35 percent of Kenya's land is registered (subject to confirmation by the MoL).

²⁴ Group titles were issued primarily on the 65,000 group ranches.

The regularization of tenure program in urban informal settlements has been very slow, with weak features which will be addressed by the proposed project:

- Regularization has been done primarily on the basis of a government circular of 1993, lacking an authoritative national endorsement; under the proposed project, regularization will be backed by the National Land Policy whose key provisions are embedded in the new constitution. As in previous efforts, it will continue to target squatters primarily on public land.
- Unlike rural systematic titling which was done under general boundary surveys, regularization in informal urban areas requires cadastral surveys of parcels, which have been costly and unaffordable for many beneficiary squatters as they have been individually arranged and conducted. Under the proposed project, cadastral surveys will be undertaken in bulk to reduce per unit surveying costs.
- Regularization in the past has been undertaken on a piecemeal basis by institutions lacking capacity, operational guidelines and effective coordination among the relevant public sector agencies. Under the proposed project, capacity building is treated as a priority, and the MoL will take the lead but work closely with the MoH and the MoLG, municipalities and a committee of residents elected to represent each beneficiary community.
- Regularization of tenure in urban informal settlements in the past has been grossly underfunded unlike in the proposed project which will have adequate resources to fund the regularization program.

Annex 3: Implementation Arrangements
KENYA: Informal Settlements Improvement Project

A. Project institutional and implementation arrangements

1. The program will be executed by the MoH and implemented by the MoL, Water Service Boards, and selected municipalities in line with government reform initiatives, which are underway, and taking into consideration existing capacities of various entities.

2. *Guiding Principles.* The guiding principles for KISIP implementation are as follows:

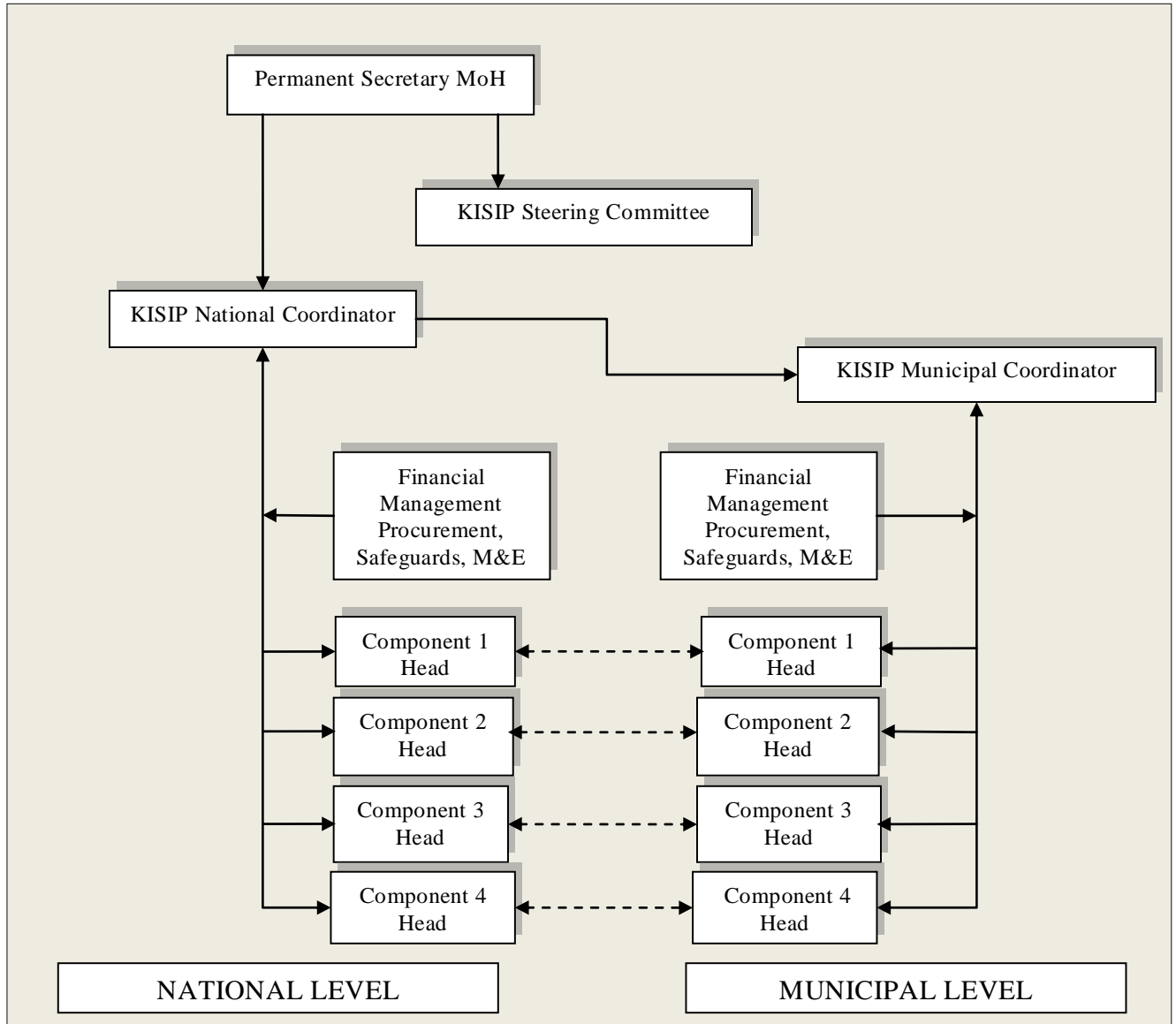
- Use of the ministry and municipal structures and systems for project implementation. Activities will be implemented at the level which ensures efficiency, and there will be a special emphasis on facilitating implementation by municipalities themselves.
- The Permanent Secretary, MoH shall be the overall accounting officer for the project, and shall use a merit and qualifications based mechanism to appoint the project coordinator and team. The project coordinator—whose position shall not be below head of department in the ministry—will be responsible for overall coordination of project activities.
- KISIP components will be assigned and managed by the relevant departments and/or divisions in the ministry.
- The ministry may contract TAs to assist the MoH or the municipalities to build capacity for effective KISIP implementation. Such TAs would mentor and train the staff that they support. The TAs shall report to the KISIP coordinator.

3. To ensure effectiveness of the program institutional arrangements, the following operational norms shall apply:

- All official communication to the participating development partners on the program shall be under signature of the Permanent Secretary, or his/her authorized representative.
- Overall strategic KISIP decisions shall be made by the ministry through the Permanent Secretary, MoH, with advice from the KISIP coordinator, PCT, and feedback from selected municipalities.
- In conformity with the principle of subsidiarity and the building of municipal capacity, KISIP selected municipalities will be in principle responsible for all procurement and funds management relating to their activities under the KISIP. There will however be thresholds above which the approval of the KISIP coordinator will be required, or procedures carried out centrally. These thresholds will be raised as individual municipalities meet performance criteria demonstrating their procurement and funds management capacity.
- The KISIP coordinator will brief senior and top management of the ministry from time to time regarding the progress of KISIP implementation to ensure transparency and ownership of KISIP by the MoH.

4. The organogram below summarizes the institutional and implementation arrangements for KISIP.

Figure 3: Organogram of KISIP implementation arrangements



5. **Ministry of Finance (MoF)** is the interlocutor for the participating development partners regarding KISIP. The MoF will therefore be responsible for the negotiations and signing of the financing agreements and any amendments to the KISIP’s legal agreements.

6. **The MoH is the executing agency for KISIP.** It will interface with other sector ministries such as the MoL, the MoLG and other ministries on matters and policies relating to local government and urban development. It will interface with MoF on issues pertaining to the preparation of sector budgets, ensuring that the KISIP budget is included in the national budget, and coordinating the preparations of amendments to legal agreements, if necessary. It will communicate directly with the participating development partners on technical issues related to

the implementation of KISIP, including financial, procurement, and physical progress of the implementation of KISIP. All communications will be made under the signature of the Permanent Secretary, MoH as the overall accounting officer for the sector and the KISIP, or a person delegated by the permanent secretary.

7. **Steering committee.** A steering committee will provide overall policy oversight and coordination for the KISIP. The steering committee will be chaired by the permanent secretary of the MoH and will include selected representatives of selected municipalities and relevant government ministries. The committee will meet at regular intervals to guide the project and also allow for exchange ideas among committee members. The details of the membership of the committee and the guidelines for its work are included in the operations manual.

8. **Joint coordinating team (KISIP and KMP).** The team will comprise the coordinators of KISIP and KMP, who are responsible for overall implementation of the two programs. They will meet regularly to review progress with implementation of KISIP and KMP and discuss and propose solutions to any issues impeding progress with implementation and results. Specific responsibilities include:

- Identifying policy and procedures issues for action by the steering committee.
- Leading the preparation of joint work programs and budgets and tracking their execution.
- Addressing technical issues raised by the implementing teams.
- Preparing briefs for the steering committee.

9. **Project coordinator.** The permanent secretary will appoint a KISIP coordinator. The coordinator will liaise with the component heads, supervise KISIP PCT and ensure that KISIP implementation activities and reports are on schedule and in compliance with the financing agreement. The coordinator will report to the permanent secretary and will from time to time draw the attention of the permanent secretary to all emerging policy issues for decision at that level or a higher level.

10. **Project coordination teams (PCTs) at the central and local levels.** The PCT at the central level will consist of a project coordinator, four component heads, team assistants, and specialists in gender, social, and community development, environmental management, financial management, procurement, M&E. The key personnel of the PCT have been appointed and have participated fully in preparing the proposed KISIP. The PCT will be strengthened with technical advisors with expertise in procurement, financial management, environment and social safeguards, monitoring and evaluation, gender and community development, and design and implementation of infrastructure projects. The PCT will be responsible for the day to day implementation of KISIP activities, with the support of the relevant departments and divisions of the ministry. The selected municipalities are responsible for implementing many KISIP-financed activities, with their responsibilities increasing in line with their capacity. Municipalities have appointed PCTs, which have day-to-day responsibility for implementing agreed activities and for M&E at the settlement level. They will benefit from advisory support of the municipal technical assistance pools, being financed under the KMP. These three to four teams of consultants will deliver hands-on and tailored support to selected municipalities, each of which will cover 3–5

municipalities. Among other responsibilities, the teams will assist municipalities to prepare detailed proposals for settlement upgrading investments to be submitted to the MoH for review and approval. The details of the respective roles and responsibilities of the MoH, MoL, the Water Service Boards, and the municipalities are presented in the KISIP operations manual.

B. Financial Management and Disbursements

Introduction

11. The Bank's financial management team conducted a financial management assessment of the MoH (the overall implementing agency) and of the 15 selected municipalities. The objective of the financial management assessment was to determine whether the financial management arrangements (a) are capable of correctly and completely recording all transactions and balances relating to the project; (b) facilitate the preparation of regular, accurate, reliable and timely financial statements; (c) safeguard the project's entity assets; and (d) are subject to auditing arrangements acceptable to the Bank. The assessment complied with the Financial Management Manual for World Bank-Financed Investment Operations that became effective on March 1, 2010. Depending on their capacity and ability to meet technical eligibility criteria, the 15 municipalities, MoL, and Water Service Boards will play a role in implementation. Several Water Services Boards are already implementing the Bank-financed Water and Sanitation Improvement Project, and are eligible to receive project funds to implement activities under the KISIP. The mandatory eligibility criteria included in the operations manual that the MoL and the Water Service Boards should meet in order to receive KISIP funds are:

- Have qualified and experienced staff to account and report on the utilization of project funds. The minimum qualification is a Certified Public Accountant with Part II or bachelor of commerce degree holder with accounting option.
- Once deemed eligible to manage KISIP funds, open a project account.

12. It is recommended that the MoL and the Water Service Boards also meet the following requirements:

- Have a computerized accounting system to produce complete and accurate accounts.
- Have a functional internal audit department producing reports using a risk-based approach.
- Have a functional audit committee to review both internal and external audit reports and ensure that management takes action on audit recommendations.

13. The following are the financial management arrangements for the project.

Budgeting arrangements

14. Budgeting at the MoH is done by the finance department which is separate from the accounts department. Budgeting guidelines are documented in the Government Financial Regulations and Procedures manual. The staff have adequate qualifications and experience to prepare and monitor the project's budget. At municipal level there are adequate budgeting

guidelines and staff to prepare and monitor the budget. Given the uniqueness of the institutional and implementation arrangements of KISIP, budgeting procedures will be detailed in the project operational manual.

Accounting arrangements

15. At the MoH there is adequate accounting staff capacity and a project accountant has been designated for KISIP. The MoH uses the integrated financial management information system but it has not been producing reliable accounts. This is to be mitigated by using Microsoft excel spreadsheets (manual accounting system) until when the Government of Kenya procures a project accounting software for its projects in early 2011. Although the ministry uses a Government Financial and Regulations procedures manual that is considered adequate, there is a need to develop a project specific procedures manual with financial management inputs in the operations manual that will deal with the unique implementation and institutional arrangements of KISIP to ensure project funds are accounted for. A good draft of the operations manual has been prepared with adequate financial management arrangements. It will be updated as a living document to address issues that arise during implementation. With regard to municipalities, all have accounting staff to account for project funds but they need to be designated as there is a high turnover of staff in the municipalities. The designation of municipal staff will be part of the criteria to access KISIP funding. All 15 municipalities have LAIFOMS accounting software but some modules are not working such as the financial management reporting module. The municipalities use the local authorities financial management regulations 2007 and the treasurer's manual issued by the MoLG, as their accounting procedures but these will need to be complemented by the financial management inputs into the operational manual of the project.

Internal control and internal auditing arrangements

16. The MoH has an internal audit department with qualified and experienced staff using the Government of Kenya Internal Audit Manual. An audit committee that was created about two years ago is in place. The committee only reviews the external audit reports which is not in compliance with the Treasury Circular issued on October 4, 2005 on establishment and operationalization of audit committees in the public service, which requires internal audit reports also to be reviewed. Furthermore, the MoH does not meet on a quarterly basis as stipulated in the circular. The membership of the audit committee also needs to comply with the circular. It is important to note that Government of Kenya's Internal Audit Department will be conducting fiduciary/in-depth reviews of high and substantial risk World Bank-financed projects, including KISIP should it be in this risk category. This is expected to strengthen the fiduciary controls of the KISIP. In regard to the municipalities, they have internal audit functions with qualified and experienced staff but they do not use a risk-based audit approach and they lack independence as the audit reporting is to the town clerk rather than to the audit committee chair. The audit committees of the municipalities are also ineffective as they rarely meet. The audit committee is comprised of councilors, most of whom have no auditing or accounting knowledge. They need capacity building to strengthen their effectiveness. Audit committees for the MoL and the Water Service Boards will also need to be strengthened.

17. The internal control systems of MoH are adequate for KISIP and documented in the accounts procedure (procedure MoH/ACCS/001) and the Government Financial Regulations and Procedures. These will be complemented by the financial management inputs to the project's operational manual. However, the internal control systems relating to imprests, bank reconciliations, and advances of the MoH need to be improved, as they have consistently been highlighted in the external audit report produced by Kenya National Audit Office (KENAO). For the municipalities, the procedures' manuals documented under the local authorities financial management regulations 2007 and the treasurer's manual are considered adequate for KISIP, with well-documented internal control systems. However as noted above, these will also be complemented by the Financial Management inputs to the project operational manual. The internal control systems of the municipalities also need improvement, as revealed by the Bank assessment of the fifteen municipalities visited and a review of municipality accounts audited by KENAO.

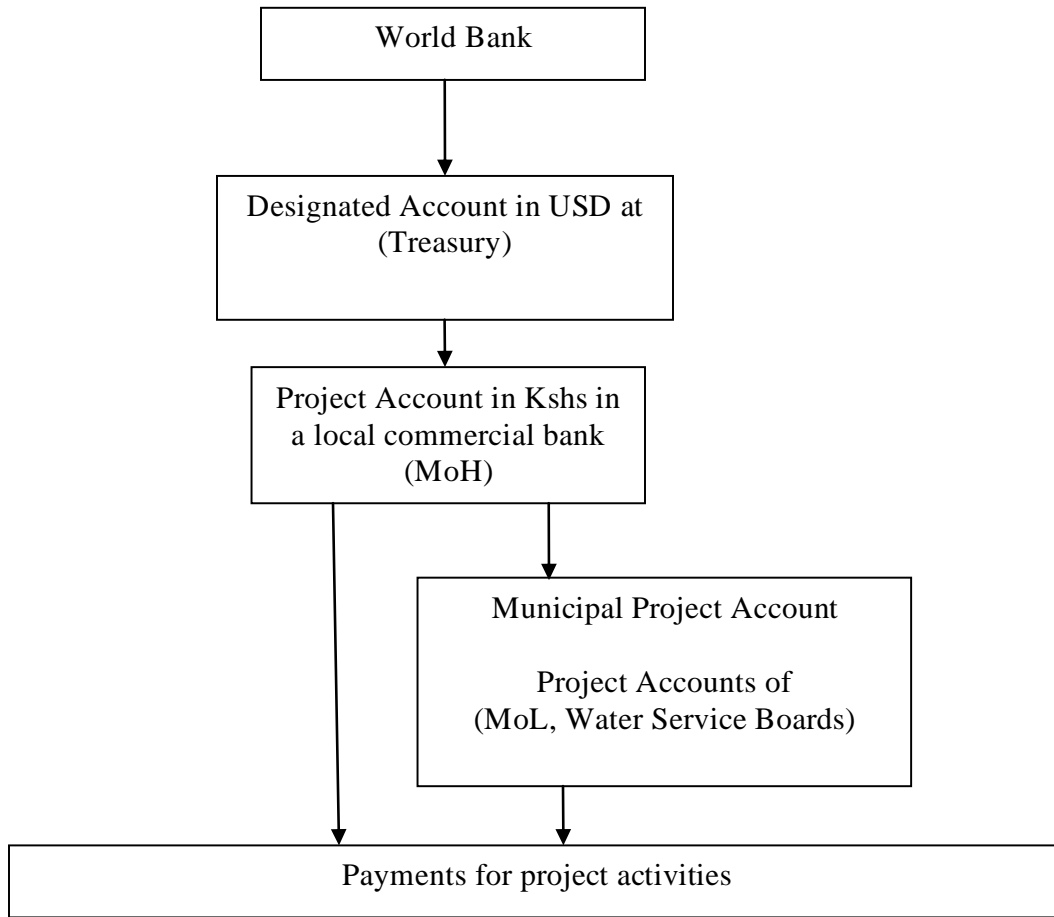
Funds flow and disbursement arrangements

18. *Banking arrangements.* The MoF will be required to open a Designated Account denominated in United States Dollars while the MoH will open a Project Account denominated in Kenyan Shillings. Both accounts will be opened in acceptable commercial banks in Kenya. Details of the two accounts that have been opened and the signatories are to be submitted to the Bank. The municipalities, MoL and Water Services Boards that meet the eligibility criteria will be expected to open KISIP project accounts in commercial banks acceptable to the Bank. Details of these accounts and their signatories are to be communicated to MoH and copied to the Bank.

19. *Funds flow arrangements.* The project will submit a withdrawal application to the Bank with six month cash flow projection based on agreed project work plans and budgets. The Bank will process the withdrawal application and deposit funds into the Designated Account. Funds will then be transferred from the Designated Account at MoF into the project account at the MoH. After confirming that relevant requirements have been met satisfactorily, the MoH will transfer funds into the project accounts for the other implementing entities, specifically, the MoL, the municipalities, and the Water Services Boards. Payments in regard to project eligible expenses can be made from the Designated Account or any of the project accounts. In order to ensure that project funds are accounted for by the municipalities and other implementing units—MoL and the Water Services Boards—the accountability arrangements have to be clearly documented in the operations manual of the project.

20. *Disbursement arrangements.* Report based disbursement will be used to disburse funds to the Designated Account. Other methods of disbursement will include direct payments, special commitments, and reimbursements. Disbursement to municipalities and other implementing units (MoL and Water Services Boards) will be done based on advance transfers. The first transfer will be for an agreed amount up to a maximum of three months of forecast eligible expenditure supported by a work plan and annual procurement plan approved by the KISIP Steering Committee. Subsequent disbursements to the MoL, municipalities, and Water Services Boards will be done by the MoH once these entities account for the previous advance. . Details concerning disbursements will be specified out in the project's Disbursement Letter.

Figure 4: Funds Flow Diagram



Financial reporting arrangements

21. The MoH will prepare quarterly un-audited IFRs for the project in form and content satisfactory to the Bank, which will be submitted to the Bank within 45 days after the end of the quarter to which they relate. The format of the IFR has been agreed with the Bank. The contents of the IFR will include a section to report on the accountability of funds utilized and a section to access funds using the report based method of disbursement.

The reporting section includes:

- Statement of Sources and Uses of Funds; and
- Statement of Uses of Funds by Project Activity/Component.

The disbursement section includes:

- Designated Account Activity Statement,
- Bank statements for both the Designated and Project Account,
- Summary statement of Designated Account expenditures for contracts subject to prior review, and

- Summary statement of Designated Account expenditures not subject to prior review.

22. The MoH will also prepare KISIP’s annual accounts in accordance with International Public Sector Accounting Standards. The municipalities and other implementing units (MoL and Water Services Boards) will submit quarterly IFRs to MoH for consolidation within 15 days of the end of the quarter. Training all the staff producing IFRs will be essential in order to produce timely and quarterly IFRs. This training will be provided by the Bank during implementation.

Auditing arrangements

23. KENAO will audit KISIP annual financial statements prepared by MoH using the International Standards on Auditing. The audited financial statements will be submitted to the Bank within 6 months after the end of the fiscal year along with the management letter. The terms of reference for the audit have been agreed between the MoH and the Bank. The audit report will be disclosed in accordance with the Bank’s disclosure policy. The financial statements for the project prepared by MoH will consolidate all the accounts for the municipalities and other implementing units (MoL and Water Services Boards). However, it was noted that some municipalities have backlogs of audited accounts and most of them have qualified audit opinions. The municipalities that are likely to clear audit backlogs in the short term are Eldoret, Kakamega, Kericho, Kitui, Machakos, Thika, Embu, Naivasha and Malindi, as their audits for financial year 2008/09 are in the process of being finalized by KENAO.

Financial Management Action Plan

24. The following actions need to be taken in order to enhance the financial management arrangements for the Project:

	Action	Date due by	Responsible
1	<ul style="list-style-type: none"> • Train project accountants in how to prepare IFRs. • MoH and municipalities to have a functional accounting software that can produce reliable project accounts.¹ • Municipalities to strengthen internal audit function. • Strengthen audit committees in MoH and in the MoL, municipalities, and Water Service Boards; all implementing agencies should comply with Treasury circular No. 16/2005, on establishment and operationalization of audit committees in the public service. • Municipalities to address the back log of audited accounts • MoH and municipalities to address internal control issues raised by KENAO. 	During implementation	MoH and municipalities.

¹ Financing for this is under the KMP.

Conclusion of the assessment

25. The conclusion of the assessment is that overall residual risk rating is **substantial** and hence the project will have field supervision at least twice a year. The conditions outlined in the FM action plan have to be implemented for the financial management arrangements to meet the minimum Bank's requirements under OP/BP 10.02.

C. Procurement

26. **Procurement arrangements.** Procurement for the proposed KISIP would be carried out in accordance with the World Bank's "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 revised October 2006 and May 2010; and "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 revised October 2006, and May 2010, and the provisions stipulated in the Financing Agreement.

27. **Procurement Plan and Procurement Arrangements.** KISIP has developed a procurement plan for the first 18 months of implementation, which has been reviewed and agreed during negotiations. The plan will be updated annually to reflect the latest circumstances. The procurement plan will include by not be limited to: (a) works: access roads, pedestrian walkways, street lighting, markets, storm water drainage, water and sewerage systems, public parks and green spaces; (b) goods: vehicles, office equipment and furniture; and (c) consulting Services: technical assistance related to procurement, documents' preparation, institutional strengthening, and capacity building; social and environmental studies; detailed designs and supervision of works, and the like. The World Bank Standard Bidding Document for Goods and Works, including the standard evaluation documents and standard request for proposals for consulting services will be used.

Procurement Arrangement and Schedule for Goods and Works

1. Goods – Major Items

No	Goods Description	Estimated contract cost (US\$)	Procurement method	Review by Bank (Prior/Post)	Bid submission and opening
G001	Procurement of GIS and survey equipment	700,000	ICB	Prior	September 2011
G002	Office equipment – computers, printers and other quipment for the MoH, the MoL, and municipalities..	600,000	ICB	Prior	August 2011
G003	Vehicles for te PCT and municipalities.	700,000	ICB	Prior	October 2011
	TOTAL	2,000,000			

2. Consulting Services: List of major assignments

No	Consultancy Description	Estimated cost (US\$)	Selection method	Review by Bank (Prior/Post)	Expected RFP submission and opening
C101	TA on finance, M&E, gender, social, and community development, procurement, and environment.	250,000	QCBS	Prior	August 2011
C102	Consultant to conduct training on GIS in MoH, MoL and selected municipalities.	320,000	QCBS	Prior	November 2011
C103	TA to assist Nairobi City Council PCT	280,000	QCBS	Prior	September 2011
C104	Develop strategy for public private partnership	150,000	QCBS	Post	December 2011
C105	TA to support KISIP team located at the MoH	600,000	QCBS	Prior	October 2011
C106	Consultants to carry out situational and needs assessment for all Kenya slums and guide preparation of upgrading plans for selected municipalities.	400,000	QCBS	Prior	September 2011
C107	Consultants to assist with strengthening of land tenure, community development, and engineering	1,700,000	QCBS	Prior	October 2011
C108	Central TAs, one for each component	1,200,000	QCBS	Prior	August 2011
C109	Consultancy services for conducting information, education and communication activities of the project	250,000	QCBS	Prior	October 2011
C201	Bulk survey in selected settlements	5,000,000	QCBS	Prior	October-2011
C301	Supervision consultancy services	2,000,000	QCBS	Prior	September 2011
	TOTAL	12,150,000			

3. Works

S/No.	Works Description	Estimated contract cost (US\$)	Procurement method	Review by the Bank (Prior/Post)	Bid submission and opening
W01-05	Construction works in selected settlements in 5 municipalities in five packages	32,500,000	ICB	Prior	August 2011
	TOTAL	32,500,000			

28. **Prior review thresholds.** Prior review and procurement method thresholds for the project are indicated in the table below.

Expenditure category	Contract value threshold (US\$)	Procurement / selection method	Contracts subject to prior review
Works	Above 5,000,000	ICB	All
	Below 5,000,000	NCB	To be specified in the procurement plan
	Below 100,000	Shopping	None
	All Values	Direct contracting	All
Goods	Above 500,000	ICB	All
	Below 500,000	NCB	To be specified in the procurement plan
	Below 80,000	Shopping	None
	All Values	Direct contracting	All
Consulting services (firms)	Above 200,000	QCBS/LCS	All
	Below 200,000	QCBS/CQS/LCS	None
	All Values	SSS	All
Consulting services (individuals)	Above 100,000	Individual consultant's qualification	All
	Below 100,000	Individual consultant's qualification	None
	All Values	SSS	All

Risks and mitigation measures

29. The assessment concluded that the overall procurement risk of KISIP is **high** and the proposed risk mitigation measures are summarized below:

Risk	Action	Timeframe	Responsibility
Inadequate procurement capacity of MoH and municipalities	Recruit TAs which includes one procurement specialist to fill capacity gaps in the MOH and municipalities for KISIP implementation and provide hands-on and tailored procurement support.	One TA at MoH by December 2010. Additional central and municipal TA by September 2011.	Recipient
No practical experience in the application of Bank Procurement Guidelines and international procurement procedures.	a) Conduct induction procurement training for staff in MoH and municipalities on Bank procurement procedures; Ensure staff get further formal training in Bank procurement procedures; b) Develop and follow up on formal training program.	Induction training by December 2010; and formal training by regional training institutes on a rolling basis, with first batch to commence by June 2011 or earliest available slot.	Recipient/IDA
Sustainability of existing capacity in the MoH and municipalities is uncertain	The MoF needs to retain the incumbent procurement officers seconded to MoH and municipalities for the duration of the KISIP.	During implementation.	Recipient
National procurement procedures are not fully consistent with Bank procedures	Financing Agreement must include the exception provisions.	Complete	IDA/Recipient
Procurement fraud is a risk.	Recruit an independent consultant to carry out annual procurement audits. Incorporate procurement audit as an integral part of the annual financial audits.	Within the first 12 months of project implementation, and during the life of KISIP.	Recipient

D. Environmental and Social Aspects

30. **KISIP follows a flexible design, where investments to be financed will be demand-driven and subjected to a screening process to ensure that technical selection criteria are met and environmental and social issues are adequately identified and addressed.** An Environment and Social Management Framework (ESMF), which includes a resettlement policy framework as volume 2, has been prepared to align with these design principles and complement the government's environmental assessment process.

31. **Environment assessment, preparation and consultation process.** The ESMF identifies and addresses environmental and social issues in project design and implementation. The ESMF serves as a comprehensive and systematic guide for: (a) screening all investments to determine the nature and magnitude of issues and, where necessary, the scope of municipal project-specific environment impact assessments (EIAs) and the social impact assessments, as per government regulations and the applicability of the Bank's environment and social safeguard

policies; (b) development of environment management plans (EMPs) and guidelines to manage identified impacts along with budgetary provisions; (c) application of procedures for compliance with government laws, regulations, and Bank's safeguard policies; (d) identification of appropriate institutional arrangements for the implementation and monitoring of EMPs; and (e) capacity building needs. For infrastructure projects requiring a full EIA, the preparation of the EIA and EMP will be integrated into the design, detailed engineering drawings, bills of quantities, and contract documents, prior to commencements of works.

32. Institutional arrangements and capacity building for environmental and social management. The PCT will include full time environment and social development officers who will be responsible for coordination with the selected municipalities to apply the ESMF and RPF. They will also coordinate and liaise with other agencies at the center such as the National Environmental Management Agency, the ministries of lands and housing and others as required and relevant. These officers will monitor the preparation and supervision of EMP and RAPs for the investments. They will also organize various capacity building initiatives for the selected municipalities and facilitate regulatory and statutory clearances as required. Staffing plans for selected municipalities also include qualified environment and social development officers as part of the municipal PCTs responsible for the KISIP. A training plan will be prepared as part of the ESMF incorporating the short (project specific) and longer-term capacity building needs of the MoH and the municipalities. The plan will consist of different training modules specific to the needs of various target groups.

33. Stakeholder consultation. In accordance with the applicable Bank policies, public consultations at local level (in areas where specific investments will be made) will be carried out for all proposed investments. The consultation process for the project includes a range of formal and informal on-site discussions, interviews, focus group discussions and meetings and targeted stakeholders such as local residents, local organizations, municipalities, local civil society organizations, and selected government line departments. To discuss the draft ESMF and RPF, workshops were held at the national level. The objective was to obtain inputs on the draft ESMF and RPF and to seek views on the approach towards minimization and mitigation of potential negative impacts on people and environmental resources. Expert opinion on specific issues related to the over-all design/components of the project and applicability of environmental regulations was also sought during these workshops. Outputs from this process were integrated into the project design, wherever technically feasible. The public involvement process will continue through the project implementation stage as well.

Safeguard policies

Safeguard Policies Triggered by the Project	Yes	No
<u>Environmental Assessment (OP/BP 4.01)</u>	[X]	[]
Natural Habitats (OP/BP 4.04)	[]	[X]
Pest Management (OP 4.09)	[]	[X]
Cultural Property (OP/BP/4.11)	[X]	[]
Involuntary Resettlement (OP/BP 4.12)	[X]	[]
Indigenous Peoples (OP/BP 4.10)	[]	[X]
Forests (OP/BP 4.36)	[]	[X]
Safety of Dams (OP/BP 4.37)	[]	[X]
Projects in Disputed Areas (OP/BP 7.60)	[]	[X]
Projects on International Waterways (OP/BP 7.50)	[]	[X]

34. Environmental Assessment (OP/BP/GP 4.01). The environment category of the project is B. An ESMF has been prepared. This includes: (a) environmental screening for all investments to be applied prior to their selection and/or in parallel with the municipal project identification/engineering feasibility study; (b) environmental assessments along with preparation of EMP for investments as determined by the screening and government regulations; (c) integration of EMPs into detailed engineering design, bid and contract documents prior to award of works. As the consultancy firms conducting the engineering and safeguard studies are different, an independent review of the ESMF was not required for the project.

35. Cultural Property (OP/BP/ 4.11). Appropriate procedures have been developed along with budgetary provisions for protection, relocation and/or enhancement of cultural and religious properties (as the case may be) as part of the ESMF. These also cover “chance find” of archeological significance during excavation works during construction.

36. Involuntary Resettlement (OP/BP/4.12). Since this project involves multiple municipal projects to be identified based on demand from the selected municipalities subject to meeting the pre-identified criteria, the exact nature and details of impacts will not be known prior to Board presentation. Therefore, a RPF has been prepared. This RPF has outlined the process for various pre-construction activities such as screening, social impact assessments, baseline census surveys, and preparation and implementation of (RAPs) for individual investments. The RPF also describes the compensation for land acquisition and loss of other assets and assistance to be provided for different types of impacts. Most of the investments are likely to focus on infrastructure rehabilitation and improvement, rather than large-scale new works. However, given the population density in most of the informal settlements, the proposed infrastructure investments may entail displacement of small number of people. Overall, the process of screening for each municipal project will determine the likely impacts and, where necessary, mitigation plans will be prepared prior to issuance of bids for the respective investments.

Policy exceptions and readiness

37. The proposed project does not require any exceptions to Bank policies. KISIP complies with the Regional criteria for readiness for implementation. A procurement plan for the first 18

months of project implementation has been prepared. Core staff are in place at the MoH and an organogram has been agreed. Environmental and Social Safeguard documents were agreed and disclosed prior to appraisal.

Annex 4: Operational Risk Assessment Framework

KENYA: Informal Settlements Improvement Project

Negotiations Package Version

Project Development Objective(s)

To improve living conditions in informal settlements in selected municipalities in Kenya.

PDO Level Results Indicators:	1. Direct project beneficiaries (number), of which female (percent).
	2. People in informal settlements provided with access to improved drainage infrastructure under KISIP (number).
	3. People in informal settlements provided with access to all-season roads within a 500 meter range under KISIP (number).
	4. People in informal settlements provided with access to improved water sources under KISIP (number).
	5. People benefiting from improved tenure security under KISIP (number).

Risk Category	Risk Rating	Risk Description	Proposed Mitigation Measure
1. Project Stakeholder Risks			
Stakeholder	Medium-I	<p>Municipalities or informal settlements that are not included in the project may object to the project and declare that it demonstrates favoritism.</p> <p>Some residents of slums may attempt to capture benefits for themselves at the expense of others.</p> <p>Interest of qualified contractors to bid on and implement infrastructure projects in settlements may be limited.</p>	<p>General. Municipalities have been selected to participate in the KMP and KISIP on the bases of transparent criteria, and a phased approach whereby other municipalities and settlements can be included later on. (The criteria and phased approach for selection of municipalities are described in the KMP Project Appraisal Document.) Settlements will also be selected according to transparent criteria, and a phased approach.</p> <p>Enhancing tenure security. The project will follow a rigorous process to support enhancing of security of tenure to ensure that households benefiting are genuine residents of slums. It will support this activity only in communities where there are no disputes over land or property ownership.</p> <p>Infrastructure. KISIP will provide support for infrastructure only when a community (a) mobilizes and forms a settlement executive committee, (b) prepares a participatory settlement upgrading plan, and (c) submits a community resolution to the MoH endorsing the plan.</p> <p>The project team will encourage municipalities to package activities in a manner that create projects of a size that will interest potential contractors.</p>
3. Implementing Agency Risks (including financial management and procurement risks)	High	<p>The MoH has not implemented a Bank-financed project in the recent past, so does not have staff with experience in the Bank policies and procedures related to financial management, procurement, and social and environmental safeguards. The MoH procurement staff do not have experience with international procurement.</p> <p>Municipalities do not have experience with Bank-financed projects, which could slow implementation of KISIP or lead to the misuse of</p>	<ul style="list-style-type: none"> • Staff of the MoH are undergoing training in the Bank's policies and procedures in key areas. KISIP will provide significant resources for capacity building, training, and technical support. The Bank's KISIP team will closely supervise project implementation to address any issues as they arise. • The internal audit units at the ministry and municipal councils will monitor compliance with internal control systems to ensure that they are improved. The capacity of the internal auditors for the municipal councils and audit committees (both at ministry and

		funds.	<p>municipal councils) is to be strengthened using resources from the public financial management reform program and the KMP. KENAO will also strengthen its capacity under the ongoing public financial management reform program in order to address the backlog of audit reports for the municipal councils.</p> <ul style="list-style-type: none"> • The MoF is working to have project accounting software by February 2011 that will be used for this project while in the municipalities, under the Kenya Municipal Program, their accounting software will be strengthened. • In regard to financial reporting, capacity building training will be conducted by the Bank to build the capacity of the project staff to prepare IFRs and the format and contents of the IFR will be agreed by negotiations.
4. Project Risks			
4.1 Design	Medium-I	<p>The MoH, MoL, and the municipalities may lack capacity to manage contracts adequately and supervise the process of enumerating legitimate slum residents.</p> <p>KISIP potentially provides support to upgrade multiple slums in up to 15 municipalities. Operating in many settlements in numerous cities will be a major challenge.</p> <p>KISIP involves two ministries and multiple municipal administrations. The MoH will be responsible for coordinating the other entities, but has not traditionally played such a role. Effectively working in the municipalities will require active involvement of the MoLG, which may not be forthcoming.</p> <p>Kenya currently has 44 ministries, but will have only 22 in 2012, following the next election. The new institutional set up is currently unknown.</p>	<ul style="list-style-type: none"> • The project provides support for consultant/engineers to supervise execution of contracts and construction quality. • The project provides support to increase capacity of the MoL, and land institutions to execute their responsibilities. • KISIP will work closely with the KMP to strengthen capacities of municipalities to undertake significant new responsibilities. Both projects provide funding for consultants to bolster capacity at the ministries and at municipalities. • The project coordination teams of both KISIP (MoH and MoL) and the KMP (MoLG) have established policy and technical level coordination teams, which is expected to meet regularly. KISIP and KMP coordinators are inviting staff of the other team to participate in missions, city visits, retreats, workshops, and key meetings. • The project has been designed in a manner that will allow it to be mapped to a different ministry in the

			<p>future, if necessary. The municipal administrations are likely to play a larger role in the future governmental set up, and KISIP and the KMP are well positioned to assist with strengthening them.</p>
<p>4.2 Social and Environmental</p>	<p>Medium-I</p>	<p>Infrastructure subprojects could have adverse environmental impacts or could displace people from homes or businesses. Offering residents of informal settlements rights to land or real property could result in some households receiving bigger benefits than others, leading to social tension.</p> <p>Tenants of residences in formal slums may face rising rents as a result of infrastructure improvements, and be unable to afford the higher rents.</p>	<ul style="list-style-type: none"> • The infrastructure projects are relatively small scale, will primarily upgrade infrastructure that is already in place (for example, paving access roads and reconstructing stormwater drains). • The MoH has prepared an Environmental and Social Management Framework (ESMF) and a Resettlement Policy Framework (RPF). Environmental management plans and resettlement action plans will be prepared as necessary and the Bank’s environment and social safeguards specialists will monitor their implementation. • Continuous training will be offered to the PCTs at both central and municipal levels. The PCTs at both levels include an environment and social safeguards specialist. • Communities will be fully involved in preparing settlement upgrading plans and in identifying genuine residents eligible for enhanced security of tenure. • Civil society organizations will observe and report back on the design and implementation of the settlement infrastructure projects, the application of resettlement action plans, and enumeration of genuine settlement residents.
<p>4.3 Program and Donors</p>	<p>Medium-I</p>	<p>The success of KISIP depends in large part on the success of the KMP in strengthening capacity of municipalities to plan for urban upgrading and to manage infrastructure projects.</p> <p>Having three development partners involved creates risks that all may not be in agreement on design and how to overcome obstacles during implementation.</p> <p>AFD or Sida may face budget pressures in the future, leading to their inability to finance the</p>	<ul style="list-style-type: none"> • The MoH and the MoLG have established coordination mechanisms. Moreover, at the municipal level one team will implement both the KMP and the KISIP-funded activities. • Discussions are underway with Sida and AFD on the best modality for delivering their support to government. • KISIP will finance a central technical assistance team that will include expertise in infrastructure engineering, monitoring and evaluation, community development, and others, as needed. • KISIP has been designed to allow it to meet its

		KISIP. The partners may have different views in how best to respond to implementation challenges.	development objectives, even if the other partners withdraw. The resources from the other partners will allow KISIP to cover additional settlements over its life.
4.4 Delivery Quality	Medium-I	<p>KISIP will support the upgrading of infrastructure, all of which will require resources for operations and maintenance, yet this has not traditionally been a priority of the government.</p> <p>The PCTs at both central and municipal levels have little experience with collecting and compiling data into coherent reports. Good coordination between the central and municipal M&E specialists will be required to produce high-quality, accurate and timely quarterly progress reports.</p>	<ul style="list-style-type: none"> • KISIP will only finance infrastructure projects for which an operations and maintenance plan has been prepared. • KISIP contains clear key performance indicators and provides support for establishment of a robust M&E system. The MoLG M&E specialists will provide periodic training and backstopping for the M&E specialists at the municipal level. • Sida is directly financing two consultants to assist the MoH in preparing terms of reference and bidding documents, and in evaluating bids. KISIP will finance independent consulting engineers who will be responsible for following up on implementation of construction contracts and to certify construction quality. They will be contracted prior to the start of works, and will report directly to the KISIP coordinator. The Bank will closely supervise the implementation of the project through its country office based staff.

Overall Risk Rating at Preparation	Overall Risk Rating during Implementation	Comments
High	High	The Ministry of Housing has no previous experience with Bank projects, so its capacity to implement projects in accordance with Bank policies and procedures is unknown. While significant measures have been included in the project design to mitigate any risks, experience will be needed to fully understand the ministry's commitment to the project and its capacity to implement it.

Annex 5: Implementation Support Plan

1. **Strategy and approach to implementation support.** KISIP includes a number of measures aimed at ensuring implementation proceeds as expected.

- First, the Bank will maintain a sizable KISIP core team in Nairobi. The team includes specialists in policy, legal, urban planning, engineering, economics, and monitoring and evaluation. Having the core team based in Nairobi facilitates frequent dialogue with the government counterpart teams, and permits ongoing implementation support. The core team will be supplemented with specialists in social accountability, gender, and urban institutions and policy, land tenure, and others as needed. Sida has provided support for the core team through a trust fund.
- Second, the Bank will conduct at least two formal missions per year covering both KISIP and KMP. The missions will be carried out jointly with development partners, and will include the Bank’s financial management and procurement staff, and other specialists as required.
- Third, considerable safeguards have been put into place to guard against procurement fraud risk. These are presented in the procurement section of annex 3.
- Fourth, the Bank will periodically conduct various types of audits, each of which is designed to answer different questions about program implementation. Such audits include undertaking technical audits, value-for-money audits, forensic audits, and rolling audits. Decisions of which approach to pursue in a given year will be made in consultation with the MoH and the development partners.
- Fifth, KISIP will support the undertaking of sample socio-economic surveys of each settlement benefiting from the project, before the start of interventions and again a year or so after the interventions have been completed. The results of the surveys will supplement the information generated through other aspects of the project’s M&E system.
- Sixth, the Bank, AFD, and Sida are currently discussing the roles and responsibilities of each agency in implementing the KISIP. The agreements will be presented in a memorandum of understanding, which all three partners will sign. The partners have also agreed to hold a video conference with staff based in Paris or Stockholm at least once a month, and more frequently if necessary.

2. Implementation Support Plan.

Time	Focus	Skills Needed	Resource Estimate	Partner Role
First twelve months	<ul style="list-style-type: none"> • Establishment of the Special Accounts at the MoH and at the municipalities. • Quality of terms of reference. • Procurement of key contracts. • Execution of contracts. • Development and 	<ul style="list-style-type: none"> • Core team skills • Gender • Procurement • Financial management • Environment and social safeguards • Social accountability. 	US\$250,000 in BB and US\$100,000 in trust funds	Partners will review and comment on terms of reference. Partners will participate in monthly video conferences and in supervision missions.

	<p>implementation of the EMP and RAP.</p> <ul style="list-style-type: none"> • Carrying out and analyzing data from socio-economic surveys. • Preparation of guidelines for strengthening land tenure in slums, and start implementation. • Promoting gender mainstreaming. • Mobilizing communities for preparing settlement upgrading plans. • Developing mechanisms for social accountability. 			
12–60 months	<ul style="list-style-type: none"> • Quality of terms of reference • Procurement of key contracts. • Execution of contracts. • Implementation of steps to enhance land tenure. • Application of the EMP and RAP. • Carrying out and analyzing data from socio-economic surveys. • Promoting gender mainstreaming. • Implementing mechanisms for social accountability • Enumerating of genuine residents of slums. • Quality and timeliness of construction. 	<ul style="list-style-type: none"> • Core team skills • Gender • Procurement • Financial management • Environment and social safeguards • Social accountability. 		
Other				

II. Skills Mix Required

Skills Needed	Number of Staff Weeks	Number of Trips	Comments
Co-task team leader	15	1 international and 8 local	Core team based in Nairobi, staff time shared with KMP, and other projects
Co-task team leader	15	1 international and 8 local	Core team based in Nairobi, , staff time shared with KMP, WaSSIP, and other projects
Land tenure	15	3 local	
Policy and institutional	10	6 local	
Slum upgrading	2	2 international	Specialist is based in Dar es Salaam
Urban planning	20	6 local	Core team based in Nairobi,

			staff time shared with KMP, local trips
Engineering	20	6 local	Core team based in Nairobi, staff time shared with KMP, local trips
Monitoring and evaluation and implementation support	20	5 local	Core team based in Nairobi, staff time shared with KMP and other urban, local trips
Gender	4	2 local	Based in Nairobi, local trips
Social accountability	4	3 local	Based in Nairobi, local trips
Procurement	4	4 local	Based in Nairobi
Financial management	4	4 local	Based in Nairobi
Environmental and social safeguards	8	4 international	1 environment and 1 resettlement specialists, 2 international trips each

III. Partners

Name	Institution/Country	Role
Olivier Delefosse	AFD/France	Advisory
Anthea Manasseh	AFD/France	Advisory
Amandine Dukhan	AFD/France	Advisory
Guillaume Josse	AFD/France	Advisory
Annakarin Lindberg	Sida/Sweden	Advisory
John Ndiritu	Sida/Sweden	Advisory
Gustaf Asplund	Sida/Sweden	Advisory

Annex 6: Team Composition

Bank staff and consultants who worked on the project included:

Name	Title	Unit
Sumila Gulyani	Sector Leader/Lead Urban Specialist (TTL)	AFTUW
Andreas Rohde	Sr. Sanitary Engineer	AFTUW
Wendy Ayres	M&E Specialist and Economist (Consultant)	AFTUW
Asa Torkelsson	Senior Gender Specialist	PRMGE
Diana Ortiz Zuluaga	Urban Specialist (Consultant)	AFTUW
Barjor Mehta	Sr. Urban Specialist	AFTUW
Frank Byamugisha	Operations Advisor (Land Specialist)	AFTAR
I.U.B. Reddy	Sr. Resettlement Specialist	SASDI
Sonia Sandhu	Sr. Environmental Specialist	SASDI
Christopher Finch	Sr. Social Development Specialist	AFTCS
Josphine Ngigi	Financial Management Specialist	AFTFM
Henry Amuguni	Financial Management Specialist	AFTFM
Patrick Piker Umah Tete	Sr. Financial Management Specialist	AFTFM
Dahir Warsame	Sr. Procurement Specialist	AFTPC
Efrem Fitwi	Procurement Analyst	AFTPC
Pascal Tegwa	Sr. Procurement Specialist	AFTPC
James Karuiru	Engineer (Consultant)	AFCE2
Linda Ackel	Team Assistant	AFCE2
Roderick M. Babijes	Team Assistant	AFTUW
Nightingale Rukuba-Ngaiza	Senior Counsel	LEGAF
Stephen Mukaindo	Counsel	LEGAF
Rajiv Sondhi	Senior Finance Officer	CTRFC

Annex 7: Project Costs

KENYA: Informal Settlements Improvement Project

Project Cost by Component and/or Activity	Local US \$million	Foreign US \$million	Total US \$million
Component 1: Strengthening institutions and program management	4.5	5.5	10.0
Component 2: Enhancing tenure security	4.6	3.4	8.0
Component 3: Investing in infrastructure and service delivery	16.8	53.5	70.3
Component 4: Planning for urban growth	2.3	1.7	4.0
Unallocated	1.8	5.9	7.7
			100.0
Total Project Costs	30.0	70.0	100.0
Total Financing Required	30.0	70.0	100.0

Annex 8: Governance and Accountability

KENYA: Informal Settlements Improvement Project

1. The design of KISIP includes a variety of measures aimed at strengthening governance and accountability at both the central and municipal levels and at ensuring that KISIP funds are used as intended. The design of the KISIP's governance measures has benefited from discussions with the Bank's Department of Institutional Integrity and Office of Policy and Country Services, and takes account of the Bank's 2006 Anti-Corruption Guidelines.¹ Details of the KISIP's governance measures are presented below. Additional country-level risks and mitigation measures are presented in paragraph 62 in the main document.

Strengthening government systems for accountability and transparency: A KISIP objective

2. An overall goal of KISIP is to strengthen governance and accountability of the government at both central and municipal levels. This will be achieved through a variety of measures, including:

- *Establishing a robust monitoring and evaluation system.* KISIP will support the establishment and use of a robust M&E system at the municipal and central levels. This is expected to generate timely information on implementation progress and municipalities' service delivery outcomes. The central and municipal project coordination teams are responsible for compiling the data into quarterly and annual progress reports and to share the reports with the permanent secretary of the MoH, and with the development partners. Timely access to monitoring information will allow decision-makers to quickly identify and address challenges.
- *Strengthening participatory approaches in investment planning and in oversight of implementation.* KISIP is promoting a participatory planning process for slum communities. A criterion for settlements to benefit from the infrastructure investments is that they have an informal settlement improvement plan that has been prepared in a participatory manner. KISIP will also support participatory monitoring of implementation by ensuring that information on progress is available for discussion at community meetings and that the topic is regularly included on the meetings' agendas. A number of civil society organizations actively monitor and report to the MoH and other entities on the selection and implementation of investment projects in informal settlements.² The MoH meets regularly with the civil society organizations and other stakeholders in a public forum to discuss issues arising in the implementation of the Kenya Slum Upgrading Program. Such stakeholder forums will continue while KISIP is being implemented.
- *Promoting sound procurement and financial management.* The central technical assistance team that will support the MoH in implementing KISIP will help to build

¹ "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD and IDA Credits and Grants," dated October 15, 2006 and revised January 2011.

² The Rockefeller Foundation and other donors are financing the work of such civil society organizations.

capacity for procurement and fiduciary management at the ministry. A municipal TA pool with expertise on procurement and financial management will provide hands-on support to selected municipalities under KISIP to help them to operate in full compliance with the Bank's fiduciary safeguards. Increased transparency in bidding will result from advertising for suppliers in local newspapers and on KISIP website. All bids will be opened in public.

Strengthening accountability to citizens

3. KISIP supports several initiatives aimed at strengthening the demand-side for accountability and transparency. In addition to the participatory approaches noted above, these include:
 - *Supporting a multi-faceted learning and communications program.* A central element of the learning and communications activities will be the creation and maintenance of a KISIP website. This will serve as a repository of key documents (such as KISIP progress reports, the environmental and social management framework and the resettlement framework, environmental impact assessments, and resettlement actions plans) and information (such as the list of settlements participating in the KISIP, selection criteria, financial allocations, subprojects under implementation, and others). The learning and communications activities will also disseminate information and gather citizen feedback through traditional media (for example, radio, television, and print) and nontraditional approaches (for example, twitter).
 - *Promoting application of citizen accountability approaches.* The Bank's KISIP team includes a specialist in the use of techniques to promote accountability through citizen voice. This person will develop, put into place, and monitor the effectiveness of various approaches to enhance government accountability to citizens.

Ensuring that KISIP resources are used as intended

- *Contracting an independent supervising engineer.* KISIP will finance an independent consulting engineer to supervise implementation (including certification of contractor payment). The KISIP's progress reports will include key issues presented in the reports of the consulting engineers.
- *Undertaking annual audits of KISIP financial accounts.* KISIP will finance an annual audit of KISIP financial accounts to be undertaken by KENAO under terms of reference agreed by the Bank.
- *Periodically undertaking technical audits, value-for-money audits, forensic audits, and rolling audits.* KISIP will support the undertaking of various types of audits, each of which is designed to answer different questions about program implementation. Decisions of which approach to pursue in a given year will be made in consultation with the MoH and KISIP financiers.

- *Following the World Bank's procurement guidelines.* World Bank staff will review and approve all key stages of the procurement process and will be alert to “red flags” of collusion/bid steering and other behavior leading to mis-procurement. The Bank will closely monitor the action plans of the implementing entities in response to financial management issues raised in the Auditor's Management Letters.
- *Undertaking regular supervision.* The Bank's KISIP core team is based in Nairobi, which facilitates frequent dialogue with the government counterpart teams. The Bank will conduct at least two formal missions per year jointly with development partners, with a full complement of experts, including the Bank's financial management and procurement staff.