Report Number : ICRR0024177

1. Project Data

Project ID	Program Name
P156777	Kenya Urban Support Program
Country	**Practice Area(Lead)**
Kenya	Urban, Resilience and Land

L/C/TF Number(s)	Closing Date (Original)	Total Program Cost (USD)
IDA-61340	31-Jul-2023	289,862,019.10
Bank Approval Date	**Closing Date (Actual)**	
26-Jul-2017	31-Dec-2023	

	IBRD/IDA (USD)	Grants (USD)
Original Commitment	300,000,000.00	0.00
Revised Commitment	291,424,305.20	0.00
Actual	289,870,401.20	0.00

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2. Program Context and Development Objectives

a. Objectives

The Program Development Objective (PDO) of this Program-for-Results (PforR) Program, as stated in the Financing Agreement (Schedule 1, page 4) was:

“To establish and strengthen urban institutions to deliver improved infrastructure and services in Participating Counties.”

The PDO formulation in the Program Appraisal Document (PAD, para 18, page 7), is identical, but specifying that the participating counties are in Kenya:

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

While the PDO formulation indicates that "to establish and strengthen urban institutions" is at a lower level in the results chain (intermediate level) than what it is expected to lead to, namely "improved infrastructure and services" (outcome level), for the sake of clarity of the analysis in this ICRR, the two parts of the PDO formulation will be analyzed as two equal parts of the PDO formulation. The objective of this Program is thus parsed as follows:

PDO 1: To establish and strengthen urban institutions in participating counties in Kenya.

PDO 2: To deliver improved infrastructure and services in participating counties in Kenya.

b. Were the program objectives/key associated outcome targets revised during implementation?

Yes

Did the Board approve the revised objectives/key associated outcome targets?

No

c. Will a split evaluation be undertaken?

No

d. Components

The Kenya Urban Support Program (KUSP) financed key parts of the Government of Kenya's Urban Program (KenUP) across its six thematic areas, including urban institutions, governance, management, finance, planning and infrastructure and service delivery. It did so through three separate, but inter-related, windows at the national, county and urban levels financed through an Investment Project Financing (IPF) component for the national level interventions and a Program for Results (PforR) component for the County and Board-level interventions.

The rationale for using IPF as a financing instrument for parts of this intervention arose from the lessons learned from other PforR operations in the country, which suggested the need to provide a high level of budget predictability for undertaking national government actions that are critical for the success of the Operation as a whole, in particular, the county-level Annual Performance Assessments (APA).

The program consisted of the following activities (Financing Agreement, Schedule 1, page 4 and the ICR's Theory of Change, Annex 6, page 45):

A) IPF/Technical Assistance (Appraisal estimate: US$ 30 million, Actual cost: US$ 21.3 million)

Window 1: National Level Interventions

- Establish and strengthen the institutional policy framework for urban management
- Support the coordination of urban finances (including the management of the Annual Performance Assessments (APAs) and conditional grants)
- Provide backstopping for urban planning, urban infrastructure delivery and for the provision of basic urban services

B) Program for Results (Appraisal estimate: US$270 million, Actual cost: 269.7 million):

Window 2: County Level Interventions (Urban Institutional Grants, UIG)

Results Area 2.1: County government commit to address urban development and management issues

- Formulation of urban strategies

Window 3: Urban Board-level Interventions (Urban Development Grants, UDG)
Results Area 3.1: Institutional Framework established and operational

- Establishment of urban institutional arrangements (charters, boards, administrations, budget votes, investment plans).
- Operationalization of urban boards (hiring of manager, regular meetings, citizen fora, disclosure of information).

Results Area 3.2: Urban planning, infrastructure and service delivery

- Development of urban areas budget
- Development of urban area Integrated Development Plan, Spatial Plan, Waste Management Plan
- Implementation of infrastructure investments in urban areas

The description of the ***content of the operation*** as outlined in the ICR is overall in line with the description of the content of the operation in the Legal Agreement, but the ICR has labelled and numbered the activities and Results Areas differently, as follows:

- **Part I The Program** in the Legal Agreement (Schedule 1, page 4) is referred to as Window 2 and Window 3 in the ICR's ToC (ICR Annex 6);
- **Part II The Project** in the Legal Agreement (Schedule 1, page 4) is referred to as Window 1 National Level Interventions in the ICR's ToC (ICR Annex 6);
- **Results Area 1** in the Legal Agreement (Schedule 1, page 4) is referred to as Results Area 2.1 in the ICR's ToC (Annex 6);
- **Results Area 2** in the Legal Agreement (Schedule 1, page 4) is referred to as Results Areas 3.1 and 3.2 in the ICR's ToC (Annex 6)

e. Comments on Program Cost, Financing, Borrower Contribution, and Dates

Program cost: The total Program cost was estimated at US$300 million at appraisal, revised to US$291.4 million at restructuring, and final cost was US$289.8 million (ICR financing table, page 2).

Program financing: The intervention was financed through an IDA credit combined IPF and PforR (IDA-61340).

Borrower contribution: The borrower contribution was estimated to be US$20 million at appraisal (ICR, Annex 3, page 42), was revised to US$ 17.2 million at restructuring and the actual borrower contribution was US$ 12.2 million.

Dates: The Program was approved on July 26th, 2017, and became effective 6 months later on January 11th, 2018. The Mid Term Review was completed October 23rd, 2020. The original closing date was July 31st, 2023, and the actual closing date was December 31st, 2023, i.e., a 5-months' extension. The Program went through two level-II restructurings; on June 21st, 2021, and on July 20th, 2023.

Other changes: The following changes were made through the two level-II restructurings:

The first restructuring on June 21st, 2021:

- Change in Results Framework
- Reallocation between and/or Change in DLI

This restructuring changed the results framework (RF) to simplify the calculation of indicators. The indicator "non-motorized transport facilities constructed or rehabilitated under the program" was split into two indicators to capture non-motorized facilities and roads separately. Similarly, the indicator "street or high-mast security lights constructed under the program" was split to measure street and high-mast lights separately. The unit of measurement for the indicator "public works and green urban spaces under the program" was changed from hectares to numbers due to counting challenges. This restructuring further moved from an externally led APA to a self-evaluation mechanism subject to independent validation by the Office of the Auditor General (OAG). (ICR, para 14). This was mainly due to the onset of the Covid-19 pandemic combined with delays in the procurement of the third APA and the pressing timeline for the third disbursement.

A fourth DLI was added to the framework. This additional DLI was justified in the restructuring paper (RES 46571, paras 11 and 12) by the need to reallocate undisbursed balances of DLI1 (Window 2, UIGs) and DLI3 (Window 3, UDGs) to a new DLI4 (Window 3, UDGs) (US$ 37,425,836). This allocation to DLI4 was to strengthen incentives for counties and urban boards to improve urban boards performance, upgrade social and environmental management and improve overall management of investment projects. In addition. It was foreseen that the allocation to DLI4 would strengthen overall financial management by counties and urban boards. Through the new DLI4, County Governments and urban boards were to receive UDGs on the basis of: (i) fully achieving key institutional and management benchmarks; and (ii) their performance in meeting urban infrastructure and service delivery standards. The World Bank team informed IEG (August 15th, 2024) that "The new DLI (DLI4) was a blend of the undisbursed balances of DLI1 (Window 2, UIGs) and the remaining balance of DLI3 (Window 3, UDGs). This reallocation between DLIs was done to increase and strengthen the incentives for (i) County Governments to make their urban boards and administrations more operational and functional; and (ii) Counties and urban boards to improve their management of infrastructure and service delivery. Specifically, the idea was to help strengthen incentives for counties and urban boards to improve urban boards performance, upgrade social and environmental management and improve overall management of investment projects. In addition, the allocation to DLI4 tried to strengthen overall financial management by counties and urban boards. DLI4 was to also make it possible for the program to be able to disburse the remaining balances." It is not clear, however, how and to what degree DLI4 would measure anything different or separate from what was covered under DLIs 2 and 3; it can only be deducted from the Results Framework that the difference might be in the levels (national/county/urban, etc.) that are measured by the fourth DLI compared to the others, but this remains unclear.

The second restructuring on July 20th, 2023:

- Change in Loan Closing Date(s)
- Cancellation of Financing
- Reallocation between and/or Change in DLI

This second restructuring extended the closing date from July 31, 2023, to December 31, 2023, to allow the completion of the Environmental, Health and Safety, and Social Safeguards Audit, Value for Money (VfM) Audit, and End of Program Evaluation. It also cancelled an undisbursed IPF amount of US$8,575,694.

3. Relevance

a. Relevance of Objectives

Rationale

Country context

Between 2004 and 2014, Kenya's economic growth averaged 5.3%, mainly due to infrastructure investments, private sector growth and consumer demand. Despite this growth, infrastructure development lagged behind. Rapid urbanization left cities with a huge demand for critical infrastructure and basic services. As an example, the proportion of the urban population with access to improved water sources declined from 92% in 1990 to 82% in 2012. Another highly visible result of poorly managed urbanization processes was the expansion of overcrowded informal settlements, where it was estimated that approximately 60% of the urban residents lived.

Government Strategy

The PDO was fully consistent with Kenya's urban development goals as stated in the National Urban Development Policy (NUDP), Kenya's Vision 2030 and the Second Mid Term Plan (MTP2). It was instrumental to incentivize the establishment of urban institutions after the abolishment of the local governments by the 2010 Constitution. It was the first PforR in the Bank that established new urban institutions as other Programs incentivize strengthening of well-established municipalities.

The Government of Kenya (GOK) had recognized the need to manage urbanization as part of its overall development strategy, and the Kenya Vision 2030 highlighted rapid urbanization as one of four key challenges facing the country. The PDO of the Kenya Urban Support Program (KUSP) was well aligned to and directly supported Kenya's Vision 2030, as within the Vision's overarching framework, the urbanization component of the Second Medium Term Plan (MTP2) 2013-17 aimed to facilitate a sustainable urbanization process through an integrated urban and regional planning management framework. Aligned to that goal, the MTP2 identified a series of investment programs to enhance infrastructure, connectivity and accessibility, safety and security.

The Program's PDO was further well aligned to and directly supported the implementation of the Urban Areas and Cities Act (UACA 2011, amended 2016), which presented an incentive to establish basic institutions required for urban management. Under the 2010 Constitution, local governments were abolished. Counties took over the revenues and the responsibilities previously assigned to local governments. This Constitution did not specify, however, how urban areas would be governed and managed, leaving that to subsequent national legislation. The Urban Areas and Cities Act (UACA) partly addressed this deficit by providing procedures for chartering cities and municipalities and establishing urban boards. Such urban boards would have delegated responsibilities for the management of cities and municipalities and would be accountable to their respective country governments. At the time of appraisal, almost no counties had established urban boards however, and it therefore appeared essential to make incentives for the creation of municipal boards to support the devolution process in Kenya. The PDO formulation is clearly and concretely supporting this process.

Bank Strategy

The PDO is consistent with the World Bank Group Country Partnership Framework (CPF) for Kenya FY23-28 and fully aligned with its Objective 2, to improve public expenditure transparency and effectiveness, as KUSP supported Kenya's devolution process through capacity building of county governments and urban boards. It is also fully aligned with its Objective 5, to extend infrastructure services to the last mile, as KUSP supported infrastructure investments in secondary cities while strengthening service delivery capacities. Finally, the PDO was also fully in line with the CPF's Objective 6, to increase household resilience and national preparedness for shocks, as KUSP strengthened urban resilience in secondary cities by enhancing access to drainage and flood protection infrastructure.

Bank and Country Experience

The Operation's design emerged in the context of Kenya's devolution process and was informed by the World Bank's existing urban operations in the country, complementing the achievements of those projects by addressing the urban institutional and financial challenges. Through their participation in the implementation of the previous World Bank-funded Kenya Devolution Support Project (KDSP, P149129), Kenyan county governments were already familiar with the PforR modalities for disbursement of Program funds, and of accountability for both funds and results.

Level of PDO

The PDO To establish and strengthen urban institutions to deliver improved infrastructure and services is clear and pitched at an appropriate level to address a development problem. "To establish and strengthen urban institutions" is at an intermediate outcome level, and it is clear from the PDO formulation that this is expected to lead to the outcomes of improved infrastructure and services. As outlined in the ICR narrative (para 1, page 5), these outcomes were seen to be an effective way to raise welfare and reduce poverty in the medium to long run, which were the higher-level objectives of this operation.

Rating
High

b. Relevance of DLIs

DLI 1

DLI
County Governments have met Urban Investment Grants (UIG) Minimum Conditions (MC)
(Window 2: County governments - County governments commit to address urban development and management issues).

Rationale
This DLI is directly relevant to and aligns well with the PDO as it measures how and to what degree County Governments have been established and strengthened to deliver improved infrastructure and services.

Furthermore, achievement of this DLI milestone clearly triggered improved institutional performance by measuring the number of County Governments that had met the Urban Investment Grants Minimum Conditions. The three minimum conditions for access to UIG included:

1. a signed participation agreement in place;
2. a County Urban Institutional Development Strategy (CUIDS) and commensurate budget annexed in the County Integrated Development Plan (CIDP); and
3. UIG of previous year spent in accordance with the eligible menu.

The UIG supported various activities, including the establishment and delineation of urban institutions (preparation of Municipal Charters and urban strategic plans); development of policies and plans related to urban planning and development control; solid waste management; induction, training, sensitization forums, peer learning, and benchmarking activities; equipping, furnishing, and operationalizing new municipal offices; facilitated setting up of systems towards streamlining operations at the urban level; public participation and stakeholder forums related to prioritization of investment, budgeting, and preparation of Urban Integrated Development Plans. The Beneficiary Assessment notes that improved governance structures and FM practices have been observed in beneficiary municipalities due to the UIG.

This DLI was defined according to the Smart criteria; it is sufficiently specific, achievable, relevant and time bound. It aligns very well with the PDO and the Results Framework; the identified indicators under this DLI measure the relevant and necessary achievements leading up to and contributing to the counties meeting the UIG MCs.

Rating

High

DLI 2

DLI

County governments have met Urban Development Grants (UDG) Minimum Conditions
(Window 3: Urban boards and counties - Institutional framework established and operational).

Rationale

This DLI is directly relevant to and aligns well with the PDO as it measures how and to what degree urban boards and counties have been established and strengthened to deliver improved infrastructure and services.

Furthermore, achievement of this DLI milestone triggered improved institutional performance by measuring the number of urban boards and counties that had met the Urban Development Grants Minimum Conditions. Some waivers were granted to these conditions, and there were two main implications thereof (ICR, para 39): (1) some counties were lax in complying with the conditions since they were anticipating waivers, and (2) counties accessed all their maximum allocation for the first two disbursements; hence, the balance had to be prorated for the third disbursement.

The minimum conditions for access to UDG included: Municipal status (County Governor granted municipal charter to eligible urban area); Municipal board appointed; Municipal manager and administration appointed; Municipal budget vote included in county budget, in which UDG is budgeted; Municipal finance reporting; Country government's commitment to participate in KUSP and adhere to its Operations Manual; Urban area investment plan with projects ready for implementation; Use of previous annual UDG, Municipal absorptive capacity; and procurement consistent with budget thresholds and contracting procedures.

This DLI aligns well with the PDO and the Results Framework. However, while the DLI was defined according to the Smart criteria; the DLI verification protocol at appraisal was not sufficiently specific. At appraisal, there was some ambiguity as 7 MCs and a PS had flexibility, i.e., by stating that, for the first APA (to be conducted in FY2017–18 and determining UDG allocations to counties for UDG disbursements in FY2018–19), the MCs and PS would be slightly modified to take into account program start-up (ICR, para 39 and PAD, tables 1.5 and 1.5, pages 36-37). It is unclear what modifications were made. Since the waivers including the details of modifications made were not adequately documented, it is unclear how many counties received waivers for which Minimum Conditions. Relevance of this DLI is thus rated Substantial.

Rating

Substantial

DLI 3

DLI

Country Governments and urban area institutions have met Urban Development Grants (UDG) Performance Standards
(Window 3: Urban boards and counties - Urban planning, infrastructure and service)

Rationale
This DLI is directly relevant to and aligns well with the PDO as it measures how and to what degree urban boards and counties have been established and strengthened to deliver improved infrastructure and services.

Furthermore, achievement of this DLI milestone had the potential to trigger improved institutional performance by measuring the number of urban boards and counties that had met the Urban Development Grants Performance Standards.

The Performance Standards for UDGs included:

PS1: There is a publicly available job description for the position of municipal manager.

PS2: Urban board meetings have been held at least once every three months.

PS3: Citizen fora (public consultations between urban board and residents, including plan and budget consultations) have been held at least once a year.

PS4: Urban board has made key documents publicly available: municipal charter, contact information for board and key officials, urban IDeP (and other plans, as relevant), budget vote proposal (including appropriate annexes), and final budget statement. All specific disclosure requirements must be met to trigger disbursement of UDG 5 percent.

PS5: Urban board publishes its annual calendar of citizens' fora with urban area residents, including plan and budget consultations (announced in local media and on county government website).

PS6: Urban board has adopted urban area budget based on the budget ceiling provided by the county as per UAC Act.

PS7: Urban IDeP submitted by the municipal administrator, and reviewed and approved by the municipal board.

PS8: Urban spatial plan completed and approved.

PS9: An operational waste collection and disposal plan has been drawn up and adopted/endorsed by the municipal board.

PS10: Over last 12 months, all UDG-financed projects that were completed were delivered:

- in ways that were compliant with environmental & social safeguards;
- on time (within 3 months of plan);
- according to design and fit for purpose;
- within +/- 5% of the budget.

According to the PAD (table 1.6, page 37), this PS was a target of waiver. It is unclear to what extent modifications were made to meet this PS. The waiver related to this PS seems to have been critical as there were many issues related to environmental and social systems and fiduciary systems at country and urban institutions level during implementation.

While this DLI was also defined according to the Smart criteria; it was not sufficiently specific due to the ambiguity with the waivers. The Relevance of this DLI is thus rated Substantial.

Rating
Substantial

DLI 4

DLI
None at appraisal

Rationale

Rating
Not Rated/Not Applicable

DLI 4 REVISION 1

Revised DLI
DLI 4 was added at the first restructuring to separate between Urban Board and Counties (covered by DLIs 2 and 3) and Country Governments and Urban Area Institutions (DLI 4):
Participating County Governments and Urban Area Institutions have met UDG Minimum Conditions and Performance Standards
(Window 3, Country Governments and Urban Area Institutions).

Revised Rationale
This DLI is directly relevant to and aligns well with the PDO as it measures how and to what degree County Governments and Urban Area Institutions have been established and strengthened to deliver improved infrastructure and services. Achievement of this DLI milestone triggered improved institutional performance by measuring the number of County Governments and Urban Area Institutions that had met the Urban Development Grants Minimum Conditions and Performance Standards.

The minimum conditions and performance standards applicable for this DLI are the same once as those described under DLIs 2 and 3.

This DLI was defined according to the Smart criteria; it is sufficiently specific, achievable, relevant and time bound. It aligns very well with the PDO and the Results Framework; the identified indicators under this DLI measure the relevant and necessary achievements leading up to and contributing to the counties meeting the UDG Performance Standards.

Revised Rating
High

OVERALL RELEVANCE RATING

Rationale

Overall Relevance is rated High, as the PDO remained highly relevant to the CPF and Government priorities throughout the Program period. Furthermore, the combination of DLIs was sufficient to drive institutional change and to contribute to achievement of the PDO. The DLI targets were strategic and strong enough to drive the reform process. Also, the combination of the DLIs at different results levels made up a coherent framework and they were consistent with the Theory of Change and capture milestones towards the Program's aspired longer-term outcomes.

Rating

High

4. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

To establish and strengthen urban institutions in participating counties in Kenya.

Rationale

Theory of Change

An explicit Theory of Change was not established at appraisal, as that was not a requirement at the time. The ICR provided a reconstructed Theory of Change (Annex 6). The Theory of Change for this objective (to establish and strengthen urban institutions) postulates that **inputs** such as to establish and strengthen the institutional policy framework for urban management; to support the coordination of urban finances (including the management of APAs and conditional grants); to provide backstopping for urban planning, urban infrastructure delivery and for the provision of basic services; to establish urban institutional arrangements (charters, boards, administrations, budget votes, investments plans); and to operationalize urban boards (hiring of manager, regular meetings, citizens fora, disclosure of information), would lead to **outputs** such as i) counties provided with guidance and capacity building to support planning, infrastructure delivery and service provision; ii) relevant policy reviews and legislation on urban development; iii) County urban institutional development strategy formed and urban institutions established. These outputs were in turn expected to lead to **outcomes** such as established and operational urban institutions which can deliver improved infrastructure and services in the participating counties.

The critical assumptions are: 1) Independent consultants undertake annual performance assessment following pre-defined performance rating criteria; 2) Timely allocation of county-level grants by the government, and 3) Capacity in place to ensure timely recording of all sub-project level data and information.

The overall logic of the ToC is sound, despite the formulation of some of the outputs and outcomes in the figure as inputs (e.g., "support the establishment of institutional framework" is formulated as an input but identified in the ToC figure as an outcome). There are no logical gaps in the ToC.

Outputs

- 45 counties qualified for the Urban Investment Grants (UIG), achieving the target of 45. Based on APA 3, all 45 counties met the three minimum conditions for access to UIG.
- 4 guidelines on planning, infrastructure, and basic service delivery prepared and made public on Ministry of Transport, Infrastructure, Housing, and Urban Development (MTIHUD) website, not achieving the target of 4. Of the 4 guidance notes, two support establishing urban institutions and citizens' participation in urban governance, (i.e., (i) the Urban Boards Induction and Training Guidebook and (ii) the Citizen Forum Handbook). The Solid Waste Management guidelines and Urban Resilience guidelines were also finalized. In addition, the Participatory slum upgrading, and urban mobility guidance notes are in draft form and are expected to be finalized in the second phase of the Program, KUSP2.
- 54 urban areas for which citizen fora (public consultations between urban board and residents, including plan and budget consultations) have been held at least once a year, exceeding the target of 35.
- 54 municipal solid waste policies and plans were prepared and adopted, exceeding the target of 10. SWM Capacity enhanced with coverage and collection improved at the urban level due to UDG support. Over 5 percent of the total UDG investments have been aligned towards improving the collection and handling of solid waste, with over 30 municipalities leveraging on the UDG to finance the purchase of SWM equipment and boost collection and coverage.
- 51 urban spatial plans completed, exceeding the target of 8. The capacity to prepare and approve urban spatial plans greatly improved from 21 municipalities under APA 1 to 41 municipalities under APA 2 and 51 municipalities under APA 3. Some counties leveraged on the UIG to finance the preparation of spatial plans and development control tools. Other counties utilized the UIG to prepare land use plans for other emerging urban areas.
- 57 urban Integrated Development Plans (IDePs) completed, exceeding the target of 35. The capacity to prepare and implement Urban Integrated Development Plans continuously improved from 20 in APA 1 to 46 in APA 2 and 57 in APA 3.
- The Annual Performance Assessment (APA) results for Urban Investment Grants (UIG) and Urban Development Grants (UDG) allocations were made on time, i.e., before the end of the FY and prior to startup of the next FY, as targeted; target achieved. The third and final Annual Performance Assessment (APA 3) was successfully concluded. The process was led by the Office of Auditor General (OAG) who proved efficient in executing the task. The APA 3 results were used to inform the final disbursement of the PforR component in June 2021.

Outcomes

- 77 urban areas have approved charters, established boards, appointed urban managers, and a budget vote (measures establishment of urban institutions), exceeding the target of 35.
- 57 urban areas utilize at least 50 percent of the budget intended for their urban investments, exceeding the target of 17.

- 57 urban areas have an approved Annual Investment Plan and Urban Area plans, exceeding the target of 15.

The reported achievements at output level, such as number of urban plans and policies developed, the number of urban areas qualified for UIGs and the increasingly positive APA results contributed to the achievements of the expected outcomes such as urban areas with approved relevant plans and policies. It is also clear from the ICR that new urban institutions that did not exist before, were established under the program, although the number of new vs. strengthened institutions is somewhat unclear in the reporting. The documented achievements (many of which exceeded the target values) have contributed to a Substantial achievement of PDO 1, as urban institutions in participating counties in Kenya have been established and strengthened.

Rating
Substantial

OBJECTIVE 2

Objective
To deliver improved infrastructure and services in participating counties in Kenya.

Rationale
Theory of Change

An explicit Theory of Change was not established at appraisal, as that was not a requirement at the time. The ICR provided a reconstructed Theory of Change (Annex 6). The Theory of Change for this objective (to deliver improved infrastructure and services) postulates that **inputs** such as the development of urban areas budgets, urban area integrated development plans, spatial plans, waste management plan, and the implementation of infrastructure investments in urban areas would lead to **outputs** such as urban institutions with adequate planning instruments in place and investments made in waste management, drainage, connectivity infrastructure, urban economic infrastructure, fire and disaster management. These outputs were expected to lead to **outcomes** such as urban institutions performing effectively in delivering urban infrastructure and services measured by an achievement of the Urban Development Performance Standards. This would lead to the long-term outcome of improved infrastructure and services in participating counties.

The critical assumptions were the same as under the first objective; 1) Independent consultants undertake annual performance assessment following pre-defined performance rating criteria; 2) Timely allocation of county-level grants by the government, and 3) Capacity in place to ensure timely recording of all sub-project level data and information.

The overall logic of the ToC is sound and there are no logical gaps in the ToC.

Outputs

- 218 kilometers of roads constructed or rehabilitated, exceeding the target of 100 kilometers. Connectivity infrastructure has been prioritized by the beneficiary municipalities for investment using UDG funding, with 67% of the total UDG investments financing connectivity infrastructure, including roads, pedestrian walkways and cycle paths, bus parks, parking facilities, road signage, and street lighting. The 218km of road upgrading works includes the provision of associated infrastructure such as storm water drains, footpaths, bicycle lanes, landscaping, road furniture, and signage.

- 225 kilometers of nonmotorized transport facilities constructed or rehabilitated under the program, exceeding the target of 100 kilometers. This included walkways and cycle paths which were completed and operationalized as standalone infrastructure or as part of road upgrading works. The stand-alone NMT infrastructure, amounting to 113 km, directly benefits over 100,000 urban residents, with the completed NMT facilities and road rehabilitation works benefitting over 350,000 urban residents with improved safety and security for pedestrians and cyclists and improved accessibility and connectivity noted.
- 246 kilometers of drainage systems built or rehabilitated under the program, far exceeding the target of 10 kilometers.
- 5,241 streetlights installed, exceeding the target of 1,000.
- 128 high-mast security lights installed under the program, exceeding the target of 30. These high-mast security lights are directly benefitting over 100,000 urban residents. The use of renewable energy sources, including solar and wind, has been demonstrated and is supported.
- 25 markets and upgrading of market stalls have been completed and operationalized within the various municipalities, exceeding the target of 4.
- 22 public green urban spaces were created, exceeding the target of 10. These completed and operationalized urban recreational parks are benefiting over 190,000 urban residents living within 2 km radius from the parks.
- 96% UDGs for the previous FY were spent in accordance with the eligible investment menu, exceeding the target of 90%.
- Additionally, over 5,000 parking facilities and 12 bus parks benefiting over 100,000 urban residents within 3 km radius have been constructed and operationalized (not included in the RF, hence no target value).

Outcomes

3.6 million people provided with improved urban living conditions, exceeding the target of 3.5 million (of which 50% women, target achieved).

The created and upgraded markets are directly benefiting over 10,000 local traders with improved facilities for trade and directly benefitting over 400,000 urban residents living within 3 km walking distance from the markets. The Value for Money Audit found that markets deliver up to 13% return on investment for municipalities with significant socio-economic outcomes, such as increased employment, improved economic stability, increased access to goods and services, lower-cost options for the community, additional revenue generation for municipalities, and enhanced reliability and transparency in service provision.

The road works that were completed and operational under the program (218 kilometers) are benefiting directly over 200,000 urban residents with improved safety and security for pedestrians and cyclists and improved accessibility and connectivity.

The 5000 parking facilities and 12 bus parks are directly benefiting over 200,000 urban residents with improved safety and security for pedestrians and cyclists and improved accessibility and connectivity.

Over 14 municipalities have invested mostly in solar-powered street lighting systems, contributing to enhanced business opportunities, enhanced business operation timings, improved security, and improved standards of living. Over 1 million urban residents have directly benefitted from this intervention.

Summary and justification for the rating

While the Results Framework lacked an identified PDO-level indicator for this objective (improved infrastructure and services), the Intermediate Results Indicator reflecting the number of beneficiaries of the overall improved infrastructure investments and services indicates good outcomes. Furthermore, additional relevant outcomes were reported by the ICR (not reflected in the Results Framework). Some of these were grounded in evidence found in the Value-for-Money Audit, and while other reported outcomes were not supported by evidence (such as monitoring data, etc.), it is plausible that the well documented outputs from this program have contributed to the reported outcomes such as improved safety and security, improved accessibility and connectivity and enhanced business opportunities and enhanced business operation timings. This, coupled with the fact that most output targets were exceeded, warrants a Substantial rating of the achievement of this objective, as this demonstrates improved infrastructure and service delivery in participating counties in Kenya.

Rating
Substantial

OVERALL EFFICACY

Rationale
Both objectives were substantially achieved, so the overall Efficacy rating is Substantial.

Rating
Substantial

5. Outcome

The relevance of the PDO to the Government strategy and the Bank strategy for Kenya is rated High. The DLIs were appropriate for realizing the outcomes. Relevance is thus rated High. Achievement of the two objectives is rated Substantial as most target values of relevant indicators were either achieved or exceeded. The overall outcome rating is therefore Satisfactory.

Outcome Rating
Satisfactory

6. Risk to Development Outcome

Financial Risk: The current fiscal transfer system does not directly fund urban boards. The current structure of county and urban governance, coupled with the predominantly rural nature of most counties, places urban areas at a funding disadvantage. Most urban boards have no budgets for operations and maintenance (O&M), leading to the degradation of public assets. Insufficient, over-used and under-maintained infrastructure discourages private investments and undermines productivity and competitiveness. This is a potential risk to future financing of urban boards.

Government ownership/commitment Risk: Government ownership risk is low, as the government has shown a high level of commitment and continues to do so also under the follow-on program KUSP2. KUSP2 will further strengthen the capacities of urban institutions to improve the delivery of relevant services.

Technical Risk: KUSP has supported building capacity in counties and municipalities in different areas. Counties now have the minimum fiduciary staff to support the programs and municipalities. There is a risk that this capacity building will not be sustained, as the counties and municipalities are experiencing high staff turnover. There is thus a need for continuous capacity building to sustain the development outcomes.

Environmental Risk: KUSP supported extensive infrastructure investments at the urban areas level, which required considerable safeguards capacity building at the county and urban areas level. However, the Program suffered from numerous E&S issues as described in previous sections. There is a risk that E&S compliance may be weak or weaken unless close collaborative working arrangements with key regulatory agencies to i) ensure that Municipalities comply with environmental permit conditions and ii) provide capacity building to municipalities and counties to manage environmental, health and safety risks based on national laws and regulations are ensured.

7. Assessment of Bank Performance

a. Quality-at-Entry

The Operation's design was well prepared and emerged in the context of Kenya's devolution process and was well aligned to it. It was furthermore informed by the WB's existing urban operations in Kenya, building on lessons learned from those projects in addressing the urban institutional and financial challenges. The operation was designed with a combination of a PforR instrument and an IPF instrument as other PforR operations in the country had experienced the need to provide a high level of budget predictability to ensure national government actions critical for the success of the Operation as a whole, and this concerned county-level APAs in particular.

The PDO formulation was clear and could realistically be achieved within the operation's timeframe. The Results Framework was concise and complementary with the DLIs, and the M&E framework was well designed to ensure routine monitoring and evaluation. Capacity building was built into the operation to ensure smooth implementation.

Overall, the World Bank team supported the GoK in preparing a well-designed project that responded to their priorities. The design was appropriate in scope and within the GoK's institutional framework. Minor shortcomings included the lack of a PDO level indicator to measure the outcome of the second objective coupled with many indicator targets set at a very low level of ambition, in addition to the ambiguity regarding the flexibility granted for some MCs and PSs for UDGs.

Quality at entry is therefore rated Satisfactory.

Quality-at-Entry Rating

Satisfactory

b. Quality of supervision

The World Bank Team conducted 14 Supervision Missions; three in the first and last year of the program's operation and twice annually during the four years in between. As demonstrated by the ICR, the WB's supervision was timely, responsive, and results focused. It was mostly carried out by a Country-office-based team. TTLs changed only once during the life span of the operation. In addition to the TTLs, three short-term consultants were hired to monitor implementation and provide real-time support and guidance to the client.

The WB's implementation support was hands-on and pragmatic in terms of i) disseminating required knowledge and best practices; ii) co-facilitating review and evaluation measures; iii) identifying sustainability measures; and iv) adjusting the design to reflect the GoK's policy.

Reporting was provided jointly for the PforR and the IPF. The MTR was comprehensive and instrumental in agreeing to improvements in implementation for the following restructuring. The timely restructurings adjusted the RF, DLI matrix and financing amounts through cancellations that adjusted the PforR and IPF funding in line with revised needs. Reporting was succinct, timely and thorough, and ratings were well documented in ISRs. The team was especially effective in working with the client to identify actions required to ensure the sustainability of the Program's achievements beyond the implementation period.

There were some minor shortcomings, however, in lengthy procurement periods due to the World Bank's procurement processes and staff rotation. Furthermore, the team failed to document outcomes in the Quality Assurance Reviews (QAR). Although QARs were conducted by reviewing the APA reports, and results were documented in Aide Memoirs and in the ISR reports, the thrust and meaningful centrality of the QAR to a P4R was lost in the project cycle.

Overall, Quality of Supervision is rated Satisfactory.

Quality of Supervision Rating

Satisfactory

Overall Bank Performance Rating

Satisfactory

8. M&E Design, Implementation, & Utilization

a. M&E Design

The PDO formulation is sound and clear. The Results Framework shows the link between the activities, outputs and intermediate outcomes expected to contribute to the achievement of the PDO. While the second part of the PDO (improved infrastructure and services) lacked an PDO-level indicator (which is a shortcoming), the Intermediate Results Indicator reflected the number of beneficiaries of the overall improved infrastructure investments and services. The Intermediate Results Indicators captured well the contribution of the activities and outputs towards achieving the expected outcomes (as demonstrated in section 4, Efficacy). The indicators were specific and measurable and for the most part, also achievable.

A minor shortcoming was that some of the targets set at appraisal were very low compared to the actual achievements.

The DLI verification protocols could beneficially have been better defined at Appraisal to ensure a rigorous verification process which would capture both quantitative and qualitative aspects of the DLI achievements. The protocol included a description of the data source, the independent Annual Performance Assessment team, the Program Technical Committee and the Program Steering Committee as the verification entities. It also included a description of the annual procedures to evaluate the achievement.

The M&E design and arrangements were well embedded institutionally with the monitoring and reporting taking place at both the national and county levels of government. The Annual Performance Assessments were to be carried out by an independent verification agency to verify the DLIs.

b. M&E Implementation

M&E took place at both the national and county government levels during implementation. At the county level, data was collected from the relevant county- or urban board departments to report on program implementation and to capture the relevant data on urban governance, infrastructure and services delivered under the program. The participating counties prepared progress reports twice a year and M&E specialists at the State Department of Housing and Urban Development (SDHUD) consolidated the data into a single progress report. The M&E specialist also provided training and backstopping support to the county/urban staff to ensure comprehensive and timely reporting. A Geo-Enabling Monitoring and Supervision (GEMS) tool was rolled out for adoption by counties and municipalities.

The first restructuring led to modifications in the APA methodology and implementation. The onset of the Covid-19 pandemic combined with delays in the procurement of the third APA and the pressing timeline for the third disbursement, necessitated a shift in approach. The restructuring allowed moving from an externally led APA to a self-evaluation mechanism subject to independent validation by the Office of the Auditor General (OAG), i.e., the first and second APA were done by an external consulting firm and the third APA was conducted by the OAG.

However, counties accessed all their maximum allocation for the first two disbursements for DLIs thanks to the waivers. It is thus unclear to what degree the verification procedures for DLIs were appropriately conducted in the first two APAs.

There were some minor shortcomings in late and incomplete reporting from counties and municipalities. Also, due to high staff turnover in some counties and urban areas, extra training in the use of the GEMS tool was needed during implementation.

In addition to the Annual Performance Assessments (APA), and the M&E progress reporting, results were monitored through three evaluations; one Beneficiary and Economic Asset (BEA) study, an End of Program Evaluation (EPE) and a Value-for-Money study (VfM). In addition, a complimentary technical infrastructure visit was used to monitor results and implementation progress at local levels.

c. M&E Utilization

The Results Frameworks and Monitoring reports were used routinely during the Implementation Support Missions. As a PforR operation, reliable and up-to-date monitoring data verified by an external agent was critical for triggering disbursements. Hence, the Implementation Support Missions also reviewed progress against the DLI matrix and assessed the likelihood of achievement of the remaining DLIs.

M&E data was used to inform project management and decision-making. At MTR, M&E data led to restructuring so resources could be reallocated between DLIs 1 and 3, in addition to changes in the Results Framework, such as adding a fourth DLI for better assessment of project outcomes. Furthermore, the M&E data was used to inform the design of the follow-on program KUSP2.

M&E Quality Rating

Substantial

9. Other Issues

a. Safeguards

Safeguards

The Program did not trigger any Safeguard policies, as they do not apply to the PforR part of the Program, and the IPF entailed only TA (correspondence with the Bank team August 15th, 2024).

Regarding the PforR components, the Program Action Plan (PAP) (ICR, annex 1C) included some actions to strengthen the government’s environmental and social management system. However, improvements in the environmental and social management systems were monitored by yes/no binary variables in the PAP which might have been inadequate considering that there were 567 grievances registered.

The ICR (page 15) reports, however, that compliance with overall E&S safeguards was rated Moderately Satisfactory as the program experienced several safeguard challenges. The ICR reports on non-compliance with specific policy requirements for functional environment and social safeguards systems according to the Bank's PforR Financing Policy.

Some of the challenges included: i) commencement of subprojects without the National Environment Management Authority (NEMA) approvals; ii) non-compliance with occupational health and safety (OHS) requirements at most construction sites; iii) weak grievance systems and citizen feedback that allow for a transparent, timely and efficient redress process; and iv) inadequate skills by county officers on program requirements with respect to environment, health and safety and social compliance.

The program did, however, make progress in addressing most E&S risks. The municipalities increased the presence of E&S specialists, although continuous capacity building was necessary.

Grievances

GRM systems at County and National levels were continuously strengthened and supported through the program. A total of 567 Grievances were registered, mainly related to workmanship, displacements, health and safety, environment non-compliance, labor disputes, procurement and governance and disputed access. Of these, 529 (93%) were resolved and closed at that level and the rest were still in resolution process or pending court resolutions at the time of the submission of the ICR.

b. Fiduciary Compliance

Financial Management

Financial Management was overall rated Moderately Satisfactory, with periods of Moderately Unsatisfactory ratings due to delays in the internal audit reviews, delays in the transfer of funds from County Revenue Fund (CRF) to SPA and Financial Management weaknesses at counties related to unsupported expenditure and high staff turnover.

Despite achieving 100% disbursements of conditional grants, there were some challenges related to infrastructure investments, especially with respect to the financing gap from multi-year investments. The program submitted timely and acceptable IFRs for the IPF component. Delays in the submission of audit reports were experienced in the first three years, but were submitted timely during the last three years. Three of the six audited reports (for 2019, 2020 and 2023) had qualified opinions, but the ICR does not provide any further information regarding what the issues were or how they were resolved. The Bank team clarified in its correspondence to IEG (August 15th, 2024) that the qualified opinions were regarding inaccuracies in financial statements, and that the issues were resolved, without providing any further information as to what the issues were. As the IPF could only fund activities completed by the closure date of December 31, 2023, and payments made by April 30, 2024, the program closed with undisbursed balances.

Procurement

At the national level, procurement fell under the IPF modality, adhering to the WB Procurement Guidelines on IPF. Despite some challenges with lengthy procurement periods at the SDHUD, the IPF component was able to deliver tools, training and technical assistance to support the Counties and Urban Areas. Minor shortcomings were delays in the issuance of extensions for ongoing consultancies, delays in payments to consultancies and service providers, and lengthy procurement periods due to WB procurement staff rotations.

c. Unintended impacts (Positive or Negative)

N/A

d. Other

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10. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Satisfactory	Satisfactory	
Bank Performance	Satisfactory	Satisfactory	
Quality of M&E	Substantial	Substantial	
Quality of ICR	---	Substantial	

11. Lessons

The following lessons were reported in the ICR, here with some amended language:

Comprehensive and continuous capacity building in a hybrid PforR and timely monitoring can help reduce delays and improve the Program's results. For PforRs, it is key that the government has the resources to provide the needed capacity-building and program management support. In the context of Kenya, adding a national-level DLI would not have guaranteed that a sufficient budget was allocated, so the IPF modality offered a solution. It also allowed the Bank to provide more hands-on support in implementing capacity building and TA.

Including national-level agencies responsible for E&S standards in Program design can mitigate ESS issues by supporting oversight. KUSP supported extensive infrastructure investments at the urban areas level, which required considerable safeguards capacity building at the county and urban areas level. However, the Program suffered from numerous E&S issues as described in previous sections. Close collaborative working arrangements with key regulatory agencies to i) ensure that Municipalities comply with environmental permit conditions and ii) provide capacity building to municipalities and counties to manage environmental, health and safety risks based on national laws and regulations may enhance compliance.

Partnering with accurate stakeholders and providing hands-on support may contribute to the Program's success. During implementation, the National Program Coordination Team (NPCT) engaged closely with relevant national departments and agencies and had a pool of technical experts to provide hands-on training and capacity building. NPCT worked closely with Council of Governments to strengthen inter-governmental relations, coordinate capacity-building activities and policy and legislative review and development, and provide support for program coordination, including social risk management and FM. The strong engagement with Council of Governments became an integral element of KUSP success by troubleshooting problems and enhancing coordination and communication with Counties and Municipalities.

A robust APA process may enhance the Program's success. Several factors challenged the APA process in KUSP, such as lacking QAR documentation, MC and PS waivers granted without proper documentation, the finance agreement not clearly linking the definition of the MCs and PSs to the POM (and agreed changes not revised in the POM), and some political interference by the Program Steering Committee with the results of the APA. Keeping these challenges in mind for future project designs may enhance implementation and results.

12. Assessment Recommended?

No

13. Comments on Quality of ICR

The ICR provides a comprehensive overview of the Program. The narrative supports the ratings for the most part. The ICR is relatively candid, predominantly accurate and generally aligned to the Program development objective and is focused on results. The ICR's lessons are useful and well written, and they are based on evidence outlined in the ICR.

There are some shortcomings, however.

There are minor discrepancies in the figures related to project and component costs (planned and actual) between the narrative in the ICR (e.g., Table 1 on page 7, para 52 on page 17, and other places) and the Table provided on Financing (page 2) and the Program Expenditure Summary Table presented in Annex 3 (this also has internal discrepancies), which in total gives an unclear overview of the planned and actual costs of the program and its components, including outstanding/undisbursed funds and the current status. The Bank team, clarified (Sept 30th, 2024), however, that the inconsistency between the US$289.8M (datasheet from the Portal on the ICR page 2 – not editable) and US$291 (ICR Annex 3 could have been due to the exchange rate used by the Client Connection and the Operations Portal, especially for canceling the undisbursed IPF amount. The rate applied in translating counterpart funds was Kshs 140 to a dollar. Additionally, the final expenditure reconciliation was finalized in Kenya shillings as guided by OPCS. The discrepancies do not detract from the overall financial integrity of the report.

While the description of the ***content of the operation*** as outlined in the ICR is overall in line with the description of the content of the operation in the Legal Agreement, the ICR has labelled and numbered the activities and Results Areas differently; **Part I The Program** in the Legal Agreement (Schedule 1, page 4) is referred to as Window 2 and Window 3 in the ICR's ToC (ICR Annex 6); **Part II The Project** in the Legal Agreement (Schedule 1, page 4) is referred to as Window 1 National Level Interventions in the ICR's ToC (ICR

Annex 6); **Results Area 1** in the Legal Agreement (Schedule 1, page 4) is referred to as Results Area 2.1 in the ICR's ToC (Annex 6); **Results Area 2** in the Legal Agreement (Schedule 1, page 4) is referred to as Results Areas 3.1 and 3.2 in the ICR's ToC (Annex 6). While the description of the operation differed from the one in the Legal Agreement, it is in line with the description of the intervention in the PAD, and this is therefore considered a minor shortcoming only.

Overall, the Quality of ICR is rated Substantial.

a. Quality of ICR Rating

Substantial