

**PROJECT INFORMATION DOCUMENT (PID)  
IDENTIFICATION/CONCEPT STAGE**

Report No.: PIDC96108

<b>Project Name</b>	Nairobi Sanitation OBA Project II
<b>Region</b>	AFRICA
<b>Country</b>	Kenya
<b>Lending Instrument</b>	IPF
<b>Project ID</b>	P162248
<b>Borrower Name</b>	The National Treasury
<b>Implementing Agency</b>	Nairobi City Water and Sewerage Company
<b>Environmental Category</b>	B - Partial Assessment
<b>Date PID Prepared</b>	27-Oct-2016
<b>Estimated Date of Approval</b>	20-Feb-2017
<b>Initiation Note Review Decision</b>	The review did authorize the preparation to continue

## **I. Introduction and Context**

### **Country Context**

Kenya has a population estimated at 46.1 million, which increases by an estimated one million a year. With support of the World Bank Group (WBG), International Monetary Fund (IMF) and other development partners, Kenya has made significant structural and economic reforms that have contributed to sustained economic growth in the past decade. Development challenges include poverty, inequality, and vulnerability of the economy to internal and external shocks.

### **Political Context**

Devolution is rated the biggest gain from the August 2010 constitution, which ushered in a new political and economic governance system. It is transformative and has strengthened accountability and public service delivery at local levels. The government's agenda is to deepen implementation of devolution and strengthen governance institutions, while addressing other challenges including land reforms and security to improve economic and social outcomes, accelerate growth and equity in distribution of resources, reduce extreme poverty, and youth employment.

### **Economy**

According to the latest Kenya National Bureau of Statistics (KNBS) quarterly report, Kenya's economy expanded by 6.2% in the second quarter compared to 5.9% in the same period in 2015. This growth was mainly supported by agriculture, forestry and fishing; transportation and storage; real estate; and wholesale and retail trade. Manufacturing, construction, financial and insurance sectors slowed down during this quarter while accommodation and food services, mining and quarrying; electricity and water supply; and information and communication sectors recorded improvements.

## Development Challenges

Kenya has the potential to be one of Africa's great success stories from its growing youthful population, a dynamic private sector, a new constitution, and its pivotal role in East Africa. Addressing challenges of poverty, inequality, governance, low investment and low firm productivity to achieve rapid, sustained growth rates that will transform lives of ordinary citizens, will be a major goal for Kenya.

### **Sectoral and Institutional Context**

Kenya Vision 2030, the country's national development plan, aims to ensure that improved water and sanitation is available and accessible to all by the year 2030. Access to water and sanitation services remains modest, with access to improved water sources at 63 percent and improved sanitation at 30% (World Bank 2015). As part of the devolution process, the responsibility for investment in and operation of formal water and sanitation supply services rests with county owned water services providers (WSPs), and these WSPs are regulated by the Water Services Regulatory Board (WASREB). There are 94 WSPs monitored by WASREB, which serve 24% of the national population. These WSPs provide services mostly in urban and urbanizing areas, as well as in some rural areas. The WSPs monitored by WASREB provide water supply services to 55% and sewerage services to 15% of the population in their cumulative service area. Communities operate many small piped-water systems in rural and peri-urban areas.

Operational and financial performance of providers is mixed, and just under half of licensed WSPs cover operating and maintenance (O&M) costs through user fees, with weaker utilities relying on grants to sustain their operations. There are only two private providers currently recognized by the regulator—Runda and Kiamumbi. The annual cost of investment and rehabilitation needed in water supply is estimated at \$303 million, and the sector has typically looked to the government of Kenya (GoK) and development partners for its funding. But with a budget allocation of only \$193 million, there is a considerable gap in financing. The sector has experimented with commercial borrowing to finance utility and community investment projects, with several initiatives being supported by the World Bank, USAID KfW and other development partners. The use of blended financing instruments (combining grants with commercial loans) is beginning to gain increased traction amongst WSPs and is supported by the regulator and other sector agencies. These investments often build on upstream investments financed by development partners including in the World Bank.

### **Relationship to CAS/CPS/CPF**

The CPS for Kenya approved on June 25, 2014, (FY2014-2018) identifies three domains of engagement: (i) competitiveness and sustainability: growth to eradicate poverty; (ii) protection and potential: human resource development for shared prosperity; and (iii) building consistency and equity: delivering a devolution dividend. The CPS also has a special focus on governance. Under the first domain, the CPS recognizes the critical role of infrastructure development particularly, in supporting the growth engine of urbanization to improving Kenya's competitiveness. It also emphasizes the role of the private sector in driving growth. Water security and water supply and sanitation are key infrastructure areas mentioned in the CPS that the World Bank has comparative advantage. Under domain two, the CPS clearly focuses on protecting the most vulnerable and sharing the dividends of development more broadly with populations in the bottom 40 percent of income distribution.

The project supports these objectives and the governance agenda. This project helps to foster economic growth by increasing the availability of clean water and sanitation for poor households in Nairobi to become more productive, while attracting financial resources from the private financial

sector for water and sanitation. It assists in improving equity by bringing water supply and sanitation services specifically to low-income areas and helps to promote sustainable development by ensuring that development of water supplies and sanitation systems are done in accordance with national environmental guidelines supported by the World Bank's environmental safeguards framework. Finally, it encourages improved governance by supporting the Nairobi City Water and Sewerage Company (NCWSC) to access commercial finance for investments, and by paying the grant portion of the project against verified outputs, thereby pushing performance and financial risk to NCWSC.

## II. Project Development Objective(s)

### Proposed Development Objective(s)

The development objective of the project is to increase access to sanitation and water services in selected low-income communities of Nairobi.

### Key Results

4,400 water connections

5,200 sewer connections and associated household / compound sanitation facilities, including toilets and wash hand basins

67,000 people gain access to water and sewerage services in the project areas

## III. Preliminary Description

### Concept Description

## IV. Safeguard Policies that Might Apply

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

## V. Financing (in USD Million)

Total Project Cost:	2.6	Total Bank Financing:	0
Financing Gap:	0		
<b>Financing Source</b>			<b>Amount</b>

**VI. Contact point****World Bank**

Contact: Rajesh K. Advani  
Title: Senior Infrastructure Specialist  
Tel: 473-1586  
Email: [radvani@worldbank.org](mailto:radvani@worldbank.org)

**Borrower/Client/Recipient**

Name: The National Treasury  
Contact: Mr. Henry Rotich  
Title: Cabinet Secretary  
Tel: 254202252299  
Email: [cabinetsecretary@treasury.go.ke](mailto:cabinetsecretary@treasury.go.ke)

**Implementing Agencies**

Name: Nairobi City Water and Sewerage Company  
Contact: Philip Gichuki  
Title: Engineer  
Tel: 254724253582  
Email: [pgichuki@nairobiwater.co.ke](mailto:pgichuki@nairobiwater.co.ke)

**VII. For more information contact:**

The World Bank  
1818 H Street, NW  
Washington, D.C. 20433  
Telephone: (202) 473-1000  
Web: <http://www.worldbank.org/projects>