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Report No: PAD 1388

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL GRANT

FROM THE SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY
TRUST FUND

IN THE AMOUNT OF SWEDISH KRONER 70.6 MILLION
(US\$8.3 MILLION EQUIVALENT)

TO

THE REPUBLIC OF KENYA

FOR THE KENYA INFORMAL SETTLEMENTS IMPROVEMENT PROJECT

May 7, 2015

Social, Urban, Rural and Resilience Global Practice
Africa Region

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Currency Equivalents

(Exchange Rate Effective April 17, 2015)

Currency Unit = Kenya Shillings
Ksh 93.35 = US\$1
Swedish Kroner 8.46 = US\$1

Government Fiscal Year: July 1–June 30

ABBREVIATIONS AND ACRONYMS

AF	Additional Financing
AFD	Agence Française de Développement
CPS	Country Partnership Strategy
CTAT	Central Technical Assistance Team
EA	Environmental assessment
ESIA	Environment and social impact assessment
ESMF	Environmental and Social Management Framework
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
ISR	Implementation Status and Results Report
KISIP	Kenya Informal Settlements Improvement Project
KMP	Kenya Municipal Program
MLHUD	Ministry of Land, Housing and Urban Development
O&M	Operations and Maintenance
PAD	Project Appraisal Document
PCT	Project Coordination Team
RAP	Resettlement action plan
RPF	Resettlement Policy Framework
Sida	Swedish International Development Cooperation Agency

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REPUBLIC OF KENYA

**ADDITIONAL FINANCING FOR THE
KENYA INFORMAL SETTLEMENTS IMPROVEMENT PROJECT**

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ADDITIONAL FINANCING DATA SHEET

Kenya

Kenya Informal Settlements Improvement Projects - Additional Financing (P144966)

AFRICA

Basic Information – Parent									
Parent Project ID:	P113542	Original EA Category:	B - Partial Assessment						
Current Closing Date:	30-Jun-2016								
Basic Information – Additional Financing (AF)									
Project ID:	P144966	Additional Financing Type (from AUS):	Scale Up						
Regional Vice President:	Makhtar Diop	Proposed EA Category:							
Country Director:	Diarietou Gaye	Expected Effectiveness Date:	29-Jul-2015						
Senior Global Practice Director:	Ede Jorge Ijjasz-Vasquez	Expected Closing Date:	30-Jun-2016						
Practice Manager/Manager:	Sameh Naguib Wahba	Report No:	PAD1388						
Team Leader(s):	Abebaw Alemayehu								
Approval Authority									
Approval Authority									
Board/AOB Decision									
Please explain. The PDO has changed.									
Borrower									
Organization Name	Contact	Title	Telephone	Email					
National Treasury	Kamau Thugge	Principal Secretary	+254 020 2252299	ps@treasury.go.ke					
Project Financing Data–Parent (Kenya Informal Settlements Improvement Project (KISIP)- P113542)									
Key Dates									
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date		
P113542	IDA-48730	Effective	24-Mar-2011	23-May-2011	30-Jun-2011	30-Jun-2016	30-Jun-2016		
Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Un-disbursed	% Disbursed

P113542	IDA-48730	Effective	XDR	65.00	65.00	0.00	25.35	39.65	39.00
Project Financing Data –Additional Financing Kenya Informal Settlements Improvement Projects - Additional Financing (P144966)									
<input type="checkbox"/> Loan <input checked="" type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		8.30			Total Bank Financing:		0.00		
Financing Gap:		0.00							
Financing Source – Additional Financing (AF)								Amount	
Borrower								0.00	
Single Purpose Trust Fund								8.30	
Total								8.30	
Policy Waivers									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
Team Composition									
Bank Staff									
Name	Role	Title	Specialization	Unit					
Abebaw Alemayehu	Team Leader (ADM Responsible)	Senior Urban Development Specialist		GSURR					
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Wendy Schreiber Ayres	Team member	Senior Economist		GSURR	
Yasmin Tayyab	Safeguards Specialist	Senior Social Development Specialist		GSURR	
Yohannes Fisseha	Team Member	E T Consultant		GWADR	
Extended Team					
Name		Title		Location	
Locations					
Country	First Administrative Division	Location	Planned	Actual	Comments
Kenya		Thika			
Kenya		Nyeri			
Kenya		Nakuru			
Kenya		Naivasha			
Kenya		Nairobi			
Kenya		Mombasa			
Kenya		Malindi			
Kenya		Machakos			
Kenya		Kitui			
Kenya		Kisumu			
Kenya		Kericho			
Kenya		Kakamega			
Kenya		Garissa			
Kenya		Embu			
Kenya		Eldoret			
Institutional Data					
Parent (Kenya Informal Settlements Improvement Project (KISIP)-P113542)					
Practice Area (Lead)					
Social, Urban, Rural and Resilience Global Practice					
Contributing Practice Areas					

Cross Cutting Topics				
[] Climate Change				
[] Fragile, Conflict & Violence				
[] Gender				
[] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Water, sanitation and flood protection	General water, sanitation and flood protection sector	40		
Public Administration, Law, and Justice	Sub-national government administration	30		
Transportation	General transportation sector	30		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Urban services and housing for the poor	60		
Urban development	Municipal governance and institution building	20		
Urban development	City-wide Infrastructure and Service Delivery	20		
Total		100		
Additional Financing Kenya Informal Settlements Improvement Projects - Additional Financing (P144966)				
Practice Area (Lead)				
Social, Urban, Rural and Resilience Global Practice				
Contributing Practice Areas				
Cross Cutting Topics				
[] Climate Change				
[] Fragile, Conflict & Violence				
[] Gender				

[] Jobs				
[] Public Private Partnership				
Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Water, sanitation and flood protection	General water, sanitation and flood protection sector	40		
Public Administration, Law, and Justice	Sub-national government administration	30		
Transportation	General transportation sector	30		
Total		100		
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Urban development	Urban services and housing for the poor	60		
Urban development	Municipal governance and institution building	20		
Urban development	City-wide Infrastructure and Service Delivery	20		
Total		100		
Consultants (Will be disclosed in the Monthly Operational Summary)				
Consultants Required? Consulting services to be determined				

I. Introduction

1. This Project Paper seeks the approval of the Executive Directors to provide an Additional Financing in the amount of SEK 70.6 million (US\$8.3 million equivalent) to the Republic of Kenya to scale up and restructure the Kenya Informal Settlements Improvement Project (P113542, Credit 4873-KE). The Additional Financing will be provided by the Swedish International Development Agency (Sida) in the form of a grant to be managed by the World Bank through a trust fund, which comes with full cost recovery in accordance with Bank policy. The Ministry of Finance requested the Additional Financing from the Sida in an Agreement dated December 9, 2013.

2. The Additional Financing will scale up the project's impact and development effectiveness by upgrading an additional four informal settlements in the urban centers participating in the project. The Additional Financing will also result in a level 1 restructuring of the project, which will include (a) changes in the project development objective to reflect the government's new institutional structure; (b) expansion of the scope of the project and revisions to the financing plan to account for Sida's funds; (c) changes in the implementation arrangements to reflect changes in the institutional set-up of government that took place following the elections of March 4, 2013; (d) changes in activities; (e) revisions in the disbursement arrangements, (f) updating of the procurement implementation arrangements; and (g) revisions of the results indicators to reflect the changes in the project activities and the targets to account for scaling up of interventions. The proposed changes to the original project will not affect the safeguard category, the new activities proposed under the Additional Financing will continue to be rated as category B, and no additional safeguard policies will be triggered.

3. The Agence Française de Développement (AFD) has agreed to provide co-financing to the project of US\$45 million disbursed directly to the Government of Kenya and has asked the Bank to provide overall implementation support, including fiduciary and safeguards, for the expanded project activities. For this purpose, a Bank-AFD co-financing agreement, including a reimbursable advisory services agreement, has been approved. This Additional Financing Project Paper covers only the funds from Sida, since those are being managed directly by the Bank through a trust fund. The Bank team will prepare a restructuring paper to reflect any administrative changes to the project (for example, disbursement arrangements), once AFD has signed its financing agreement with the Government of Kenya.

II. Background and Rationale for Additional Financing

Original Project Background

Country and sector context

4. 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 urban areas (Nairobi, Mombasa, Kisumu, Nakuru, and Eldoret) account for approximately

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

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 since the 2008 post-election violence.

5. Acknowledging the need to directly tackle the problem of poor living conditions in slums, the Government of Kenya has been implementing a national slum upgrading program since 2005. A new constitution that took effect in March 2013 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 services. The constitution explicitly incorporates several principles elaborated in the National Land Policy of 2009, including equitable access to land rights and security of land rights. 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.

6. In response, the World Bank, Sida, and the AFD have been working with the government to jointly design and cofinance the Kenya Informal Settlements Improvement Project (KISIP). KISIP focuses on improving living conditions in existing informal settlements or slums by investing in infrastructure and strengthening tenure security. It is also supporting the government in planning for future urban growth to help prevent the emergence of new slums.

Project background

7. The project's estimated cost as presented in the Project Appraisal Document of the parent project was US\$110.00 million, of which IDA would finance around US\$100.0 million. KISIP was approved by the Board on March 24, 2011. The project became effective on June 30, 2011. Despite initial delays arising from the post-constitutional reform transition and reorganization, as of April 17, 2015, the project had disbursed US\$35 million of the IDA credit. Another US\$47 million has been committed. Thus a total of about 82 percent of the IDA credit has been disbursed or committed. Disbursements are expected to pick up significantly in the coming months, as a total of 13 works contracts under component 3 valued at US\$45 million have recently been awarded for upgrading of infrastructure in 19 settlements in six towns.

8. The project comprises four components. These are:

- *Component 1: Strengthening institutions and project management.* This component will support institutional strengthening and capacity building of the Ministry of Land, Housing, and Urban Development, selected land institutions, and the selected counties. 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.

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.

- *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. It will also support investment in basic infrastructure in select areas of urban expansion.
- *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.

Performance of the project

9. The project has been consistently rated as satisfactory or moderately satisfactory for project development objective and for implementation progress. The government is committed to the project, and has complied with the covenants specified in the Financing Agreement. The project team at the Ministry of Land, Housing, and Urban Development is fully staffed and key staff have been trained. Compliance with environmental and social safeguards has been satisfactory. There are no outstanding or unresolved fiduciary safeguard problems. An assessment of the project's financial management arrangements, including compliance with the legal covenants related to financial management, found that they provide reasonable assurance that the project funds are used for the intended purposes. The project account has been audited for the fiscal years ending June 30, 2011, 2012, 2013, and 2014, and an unqualified report has been issued for each year. Recent Implementation Status and Results (ISRs) rate financial management as satisfactory. Only procurement is rated moderately unsatisfactory, due to slow progress with procurement in the first three years of project implementation. An action plan has been agreed with the Client and performance in procurement has been improving.

10. Currently, civil works have begun in 19 settlements in six urban centers, including Eldoret, Machakos, Mombasa Nairobi, Naivasha, and Nakuru. Settlement upgrading plans have been prepared for 23 settlements in eight urban centers, including Kilifi/Malindi, Mombasa, Kitui, Kericho, Kisumu, Embu, Nakuru, and Eldoret. Works are expected to start in many of these settlements by September 2015. In anticipation of the Additional Financing from Sida and AFD, the Client is starting preparation of upgrading plans for additional settlements. In addition to civil works, KISIP has undertaken preparation of settlement-level development plans, surveys, registry index maps, and letters of allotment/titles that has strengthened security of tenure for some 2,015 people.

Rationale for Additional Financing

11. The project's estimated cost at the time of Board presentation was US\$110.00 million, of which IDA was financing around US\$100.0 million. However, the project was designed in the expectation that Additional Financing would become available from two development partners, Sida and the AFD. Activities will easily be scaled up to reach more informal settlements than would have been possible with the original financing. The Additional Financing will thus improve living conditions for more people than would have been possible with just the parent project.

12. The Project Appraisal Document (PAD) envisaged Additional Financing from Sida of US\$10 million and of US\$45 million from the AFD. Both Sida and the AFD are now ready to cofinance the project, each under different arrangements. This Additional Financing Project Paper covers only the funds from Sida, which have already been disbursed to the trust fund. The Bank team will prepare a restructuring paper to reflect changes in disbursement arrangements once AFD has signed its financing agreement with the Government of Kenya.

13. Sida has established a trust fund at the World Bank for a total of SEK 70.6 million (US\$8.3 million equivalent) (TF number 72006). The Bank team will manage the funds for the project, following all Bank policies and procedures.

14. The AFD will not establish a trust fund at the Bank. Instead, it will enter into a credit facility agreement with the Government of Kenya, and will retain responsibility for the disbursements and financial management of its funds for the project. AFD and the World Bank signed a reimbursable advisory services agreement on November 17, 2014. Under this arrangement, the Bank will supervise all fiduciary and safeguard aspects of implementation of KISIP on AFD's behalf.

15. Funds from Sida will cofinance all four project components in proportion to the contributions of IDA and Sida, starting with the date of approval of the Additional Financing. Financing from Sida will not take priority over IDA financing. The Sida KISIP Co-financing trust fund will close on the same date as the IDA-financed project, including any extensions of the closing date.

16. The scale-up of activities can be easily accommodated in the context of the ongoing project, as implementation will rely on the Recipient's existing capacity and existing project arrangements. Activities would be completed within the closing date of the original project of June 30, 2016. The economic justifications of the additional activities remain the same as in the original project. The additional activities will not raise the environmental category of the original project. Several changes to the project's outcome targets are proposed to reflect the investments to be undertaken with the Additional Financing.

Consistency with OP/BP 10.00

17. The proposed Additional Financing is fully consistent with OP/BP 10.00. The project's development objectives are to improve living conditions and strengthen security of tenure in informal settlements in selected urban centers in selected counties in Kenya. These will be achieved by enhancing security of tenure and improving infrastructure based on plans developed in consultation with the community. As indicated above, implementation of the project has been in the satisfactory range, as shown by ratings of moderately satisfactory or better in the ISR over the most recent 12 months, including those for implementation progress and development objectives. The outputs/outcomes and results recorded in the most recent ISR report for the project reveal that its impact thus far has been consistent with the expectations set out in the PAD, although with some delays.³ The project is in substantial compliance with the key loan covenants, including audit and financial management reporting requirements.

³ No results were envisaged in the PAD until the end of year 2 of project implementation.

Partnership arrangements

18. The Bank has developed strong partnerships with two development partners, Sida and the AFD. The Bank, Sida, and the AFD will maintain their strong collaboration during the remaining years of project implementation. Sida and AFD will participate in joint implementation support missions. The Bank will seek their comments on draft terms of reference and other key documents relating to activities proposed for financing under the project. The Bank will also provide to Sida and AFD the project’s annual audit report and the Bank’s Management Letter prepared in response to the issues raised therein. The Ministry of Land, Housing, and Urban Development will share with Sida and AFD the project’s quarterly progress reports and other key documents.

Table 1: KISIP IDA and Sida financing by component (US\$ million)

Component	Original IDA Financing	Revised IDA Financing	Sida Additional Financing	Total Financing	IDA Percentage Financing	Sida Percentage Financing
1. Strengthening institutions and program management	10.0	10.0	0.83	10.83	92.0	8.0
2. Enhancing tenure security	8.0	8.0	0.66	8.66	92.0	8.0
3. Investing in infrastructure and delivery of services	70.3	78.0	6.48	84.48	92.0	8.0
4. Planning for urban growth	4.0	4.0	0.33	4.33	92.0	8.0
Unallocated	7.7	0.0	0.0	0.0		
Total financing required	100.0	100.0	8.30	108.30		

Bank’s country partnership strategy

19. The CPS for Kenya, discussed by the World Bank’s Board of Directors on June 5, 2014, focuses support on three strategic areas of engagement: (a) competitiveness and sustainability—growth to eradicate poverty, (b) protection and potential—delivering shared prosperity, and (c) consistency and equity—delivering a devolution dividend. KISIP is contributing to promoting competitiveness and growth by helping to improve living conditions for the many residents who live in informal settlements in urban Kenya. More livable cities are also more attractive to the investors who create jobs. KISIP is also contributing to delivering shared prosperity by upgrading infrastructure and services in the most underserved neighborhoods of cities, thereby helping to directly improve the living conditions of Kenya’s poorest and most vulnerable citizens. The 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 for income-generating activities.⁴ 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

⁴ World Bank. 2009. “Poverty and Inequality Assessment.” Poverty and Economic Management Unit, Africa Region, Report 44190-KE, April.

which they live, thus helping to reduce the vulnerability of residents to displacement without warning or compensation, a not uncommon occurrence in Kenya today.

20. The proposed additional financing is consistent with Kenya’s Vision 2030 and its second Medium-Term Plan 2013–2017, which presents the first second-year program to implement the Vision 2030. 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 2013–2017 also specifies improving urban informal settlements as a priority. One of its flagship projects is installation of physical and social infrastructure in slums and informal settlements in selected urban areas to make them formal settlements, permit construction of permanent houses, and attract private investment. The proposed Additional Financing for KISIP will directly contribute to this goal.

III. Summary of Proposed Changes	
The Additional Financing will result in a level 1 restructuring of the project, which will include (a) changes in the project development objective to reflect the government’s new institutional structure, (b) expansion of the scope of the project and revision of the financing plan to account for Sida’s funds, (c) changes in the implementation arrangements to reflect changes in the institutional set-up of government that took place following the elections of March 4, 2013, (d) changes in activities, (e) revisions in the disbursement arrangements, (f) updating of the procurement implementation arrangements, and (g) revisions of the results indicators to reflect the changes in the project activities and the targets to account for scaling up of interventions. No changes in the project’s design, components, or safeguards category are envisaged. The proposed changes reflect the findings and recommendations of the midterm review which concluded in August 2014	
Change in Implementing Agency	Yes [X] No []
Change in Project's Development Objectives	Yes [X] No []
Change in Results Framework	Yes [X] No []
Change in Safeguard Policies Triggered	Yes [] No [X]
Change of EA category	Yes [] No [X]
Other Changes to Safeguards	Yes [] No [X]
Change in Legal Covenants	Yes [] No [X]
Change in Loan Closing Date(s)	Yes [] No [X]
Cancellations Proposed	Yes [] No [X]
Change in Disbursement Arrangements	Yes [X] No []
Reallocation between Disbursement Categories	Yes [] No [X]
Change in Disbursement Estimates	Yes [X] No []

Change to Components and Cost	Yes [] No [X]
Change in Institutional Arrangements	Yes [] No [X]
Change in Financial Management	Yes [] No [X]
Change in Procurement	Yes [X] No []
Change in Implementation Schedule	Yes [] No [X]
Other Change(s)	Yes [X] No []

Development Objective/Results

Project's Development Objectives

Original PDO

The overall project development objective of KISIP is to improve living conditions in informal settlements in selected municipalities in Kenya.

Change in Project's Development Objectives

Explanation:

A change to the PDO has been agreed with the Ministry of Land, Housing and Urban Development. This is intended to align the PDO with the new government structure. Because the former municipalities no longer exist, and their functions and resources have been taken over by new county administrations, the statement "in selected municipalities in Kenya" has been replaced with "selected urban centers in selected counties."

Proposed New PDO - Additional Financing (AF)

To improve living conditions in informal settlements in selected urban centers in selected counties in Kenya.

Change in Results Framework

Explanation:

The results framework has been revised. Some indicators have been dropped and new ones added to reflect changes in project activities. Relevant outcome targets have been adjusted upwards to reflect the expected increased impact of the project due to additional investments in informal settlements and further strengthening of the institutions involved. The revised results framework, including the rationale for the changes, is presented in Annex 1 of the Project Paper.

Compliance

Covenants - Additional Financing (Kenya Informal Settlements Improvement Projects - Additional financing - P144966)

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
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Conditions

Risk

Risk Category	Rating (H, S, M, L)
1. Political and Governance	Substantial

2. Macroeconomic	Moderate
3. Sector Strategies and Policies	High
4. Technical Design of Project or Program	Moderate
5. Institutional Capacity for Implementation and Sustainability	High
6. Fiduciary	Substantial
7. Environment and Social	Moderate
8. Stakeholders	Moderate
9. Other	
OVERALL	High

Finance

Loan Closing Date - Additional Financing (Kenya Informal Settlements Improvement Projects - Additional financing - P144966)

Source of Funds	Proposed Additional Financing Loan Closing Date
SWEDEN: Swedish Intl. Dev. Cooperation Agency (Sida)	30-Jun-2016

Change in Disbursement Arrangements

Explanation:

The disbursement arrangements have changed to reflect the funds of the Sida KISIP Co-financing Trust Fund.

Revised Disbursement Schedule: IDA*		
Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods (including vehicles), and consultants' services for Parts A, B and D of the Project, and training costs for all parts of the Project	12,800,000	89%
(2) Goods, works, consultants' services, for Part C of the Project	50,500,000	89%
(3) Operating costs	1,700,000	89%
TOTAL AMOUNT	65,000,000	

* This table reflects the percentage of each expenditure item that IDA will finance. Sida will finance 11 percent of each expenditure item. The government is responsible for financing implementation of the resettlement action plans and other expenditures that neither IDA nor Sida will finance.

Change in Disbursement (including all sources of Financing) Estimates

Explanation:
The disbursement forecast reflects the addition of the funds from Sida KISIP Co-financing Trust Fund.

Expected Disbursements (in USD Million)(including all Sources of Financing)

Fiscal Year	2012	2013	2014	2015	2016
Annual	9.50	12.40	20.00	30.00	36.40
Cumulative	9.50	21.90	41.90	71.90	108.30

Allocations - Additional Financing (Kenya Informal Settlements Improvement Projects - Additional financing - P144966)

Source of Fund	Currency	Category of Expenditure	Allocation	Disbursement %(Type Total)
			Proposed	Proposed
SPTF	USD		8,300,000.00	100.00
		Total:	8,300,000.00	

Other Change(s)

Change in Implementing Agency

Explanation:
The project implementation arrangements will change in two ways. First, the implementing agency will change from the Ministry of Housing to the Ministry of Land, Housing, and Urban Development, in line with the constitutional changes following the 2013 elections. Second, Municipal Agreements are no longer envisaged, because the former municipalities have ceased to exist. Newly-created county governments have taken responsibility for the functions and revenues of the previous municipal governments. The ministry may decide to enter into County Agreements at a later date, but this is not envisaged at this time. The Operations Manual, which covers financial management and procurement, will be updated to reflect the changes in the project as reflected in the Additional Financing Project Paper.

Implementing Agency Name	Type	Action
Ministry of Land, Housing, and Urban Development	Implementing Agency	New

Change in Procurement

Explanation:
Bank guidelines that will apply under the KISIP Additional Financing include Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants, dated October 15, 2006 and revised in January 2011. Procurement associated with the project activities supported through the Additional Financing will be carried out in accordance with the World Bank's "Guidelines for Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011 and revised in July 2014, and "Guidelines for Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank

Borrowers,” dated January 2011 and revised in July 2014, and the provisions stipulated in the Financing Agreement.

Change in Activities

Explanation:

Several activities originally planned for components 1 and 4 will be dropped, due to the restructuring of government and a lack of data. Details are presented in the table below.

Activities to be dropped

Activities to be dropped	Rationale
<i>Component 1: Strengthening institutions and project management</i>	
Institutional analysis of the Ministry of Housing (MoH) and of the Ministry of Lands (MoL).	The MoH and the MoL have been merged with a new ministry, the MLHUD, which has undergone a restructuring under government finance.
Establishment of housing quality index.	No data are available for constructing the index.
Identification and implementation of measures to improve the speed and efficiency of mapping, planning, survey, and land registration.	This is underway with government finance.
Development of city specific slum-upgrading investment plans.	The counties, rather than the ministry, now have the mandate for this activity. Instead, the ministry will support counties in developing strategies and plans for providing affordable housing. This activity has been added to component 4, below.
<i>Component 4: Planning for urban growth</i>	
Carrying out a systematic study of the main impediments to delivery of affordable housing and serviced land.	Several studies have already been carried out that clearly identify the impediments (for example, the World Bank Urbanization review) to delivery of affordable housing and serviced land. The focus has shifted to finding practical solutions to address them.
Analysis of the financing available for low-income housing, and development of strategies to improve access to financing.	Such a study is underway under other sources of finance.

Activities to be added. Proposed new activities by component, along with the rationale for their inclusion, are presented in the table below.

Proposed new activities

Activities to be added	Rationale
<i>Component 1: Strengthening institutions and project management</i>	
Undertake organizational and institutional capacity gap analysis on matters related to settlement upgrading at MLHUD, county governments, and the National Lands Commission (NLC).	A capacity needs assessment of the new institutions created following the elections will help to define the training needs to be supported under KISIP.

Undertake gender mainstreaming analysis in KISIP project areas, and help build capacity at all levels to ensure that KISIP addresses the needs of women.	The Central Technical Assistance Team (CTAT) includes a gender specialist, who will lead activities related to gender mainstreaming.
<i>Component 2: Enhancing tenure security</i>	
Review and update the 2012 land tenure regularization guidelines, with the aim of aligning them with the new land legislation.	Since the land tenure regularization guidelines were prepared, new land legislation has come into effect. The guidelines need to be updated in line with the new legislation.
Prepare base maps of settlements to benefit from the planning and surveying.	Base maps are required prior to surveying. The lack of base maps has slowed the survey process under the planning and surveying consultancy.
<i>Component 3: Investing in infrastructure services delivery</i>	
Expand the menu of eligible activities to include expansion of primary schools, clinics, and facilities for early childhood education.*	The county administrations now have the mandate to provide such educational and health facilities. In line with the overall project design, the decision to invest in such facilities will be on the basis of demand from communities, as reflected in the participatory settlement upgrading plans.
Invest in basic urban infrastructure in areas of urban expansion.*	Investing in urban expansion areas is critical to prevent the emergence of new informal settlements. The Bank will support investment in areas being developed for affordable housing. The areas will be agreed with the MLHUD, the county administrations, and the Bank.
<i>Component 4: Planning for urban growth</i>	
Undertake a survey of housing conditions in four urban centers, and use them to inform policies and strategies for increasing the supply of affordable housing.	This study reviewed the condition of the housing stock of low and moderate income households in four urban centers, estimated how much low and moderate income households can afford to spend on housing, reviewed existing sources of housing finance, and recommended policies and strategies to improve the supply of affordable housing. The next step is to publish the study report and disseminate its findings to facilitate policy dialogue.
Undertaking a situational analysis of informal settlements in 15 urban centers and supporting high-level dialogue and consensus building on a national slum upgrading policy.	This study provided detailed information on the characteristics of some 400 informal settlements, including size, population, access to basic services, residents' sources of income, primary service providers, and an assessment of past upgrading strategies and approaches. The next step is to publish the study report and disseminate its findings to facilitate policy dialogue inform further studies on specific thematic areas.
Prepare a planning manual for informal settlements.*	This will allow for planning of informal settlements to take account of the realities on the ground. The manual will address county-specific issues, based on demand.

Host a workshop with international experts and Kenyan stakeholders to share experience on planning and affordable housing for urban growth.	Such a workshop would provide ideas and contacts to promote a focus on planning and affordable housing for urban growth.
Support counties in developing strategies and plans for providing affordable housing.	Some counties have requested such assistance from KISIP, and this activity is within the scope of the project.

* Items with an asterix will be undertaken only if adequate funds are available.

Urban centers eligible for participation in KISIP. Based on a direct request from several county administrations, new urban centers will become eligible for KISIP support and will include Mumias (Kakamega county), Mavoko (also known as Athi River) (Machakos county), and Kilifi (Kilifi county). As long as the budget allows, additional requests may also be considered.

IV. Appraisal Summary

Economic and Financial Analysis

Explanation:

KISIP is financing infrastructure and services in settlements that are large, dense, and close to trunk infrastructure, where investments are expected to have high rates of return. Cost-benefit analyses of each proposed investment are being conducted as part of the feasibility studies of proposed resettlement upgrading plans. For small projects (for example below US\$500,000) for which full feasibility studies are not required, the local governments 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.

All investments will require funds for operations and maintenance. As part of their proposals for financing, counties or entities (such as Water Sector Boards) are providing 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 are generally being 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 counties in which the urban centers are situated.

Technical Analysis

Explanation:

The project approach builds on and strengthens systems and institutions already in place in Kenya. 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.

<p>Social Analysis</p> <p>Explanation:</p> <p>During the preparation of KISIP, the client prepared environmental and social safeguards documents to address issues specific to the identified subprojects. These have been updated to reflect changes in the project, as reflected in this Project Paper. Implementation of environmental and social safeguards is satisfactory. The KISIP project coordination team (PCT) includes a safeguards specialist who oversees the management of the social and environmental impacts of the subprojects, guides the consultants preparing the (RAPs), and oversees their implementation.</p>
<p>Environmental Analysis</p> <p>Explanation:</p> <p>Implementation of the safeguards under KISIP has been satisfactory. KISIP is rated Environmental Assessment Category B, and the rating will not change as a result of the Additional Financing. The Additional Financing does not trigger additional safeguards policies.</p>
<p>Risk</p> <p>Explanation:</p> <p>The risk of the original project is rated high. The Additional Financing is not expected to result in any additional risks that could jeopardize the achievement of the project’s development objectives. Although additional work will be required to deliver infrastructure and services to additional settlements, the project coordination team at the MLHUD and in urban centers/counties have gained substantial experience during the past three years with project implementation. With such experience, challenges are much easier to anticipate and to address. Funds are available under KISIP to further strengthen the capacity of the project coordination teams at both central and urban/county levels.</p>

V. World Bank Grievance Redress

21. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank’s attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit www.inspectionpanel.org.

Kenya Informal Settlements Improvement Project

Annex 1: Results Framework and Monitoring

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD)</i>	<i>Proposed</i>	
The Project's development objective is to improve living conditions in informal settlements in selected municipalities in Kenya.	The new PDO is to improve living conditions in informal settlements in selected urban centers in selected counties in Kenya.	The Project's development objective has been revised to reflect the government set-up, with counties now serving as the entry point. The overall objective of the Project remains unchanged, and KISIP will continue to focus on improving living conditions in informal settlements.
PDO indicators		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
Direct project beneficiaries (number) ⁵	No change.	Target increased.
Female beneficiaries	No change.	
People in urban areas provided with access to improved drainage infrastructure under the project.	No change.	Target increased.
People in urban areas provided with access to all-season roads within a 500 meter range under the project.	No change.	Target increased.
People in urban areas provided with access to improved water sources under the project.	No change.	Target increased.
People benefiting from improved tenure security under component 2 of KISIP.	No change.	Target increased.
Intermediate Results indicators for each component		
<i>Current (PAD)</i>	<i>Proposed change*</i>	
Component 1		
Policies, frameworks, and guidelines for slum upgrading developed and adopted by the MoH.	Policies, frameworks, and guidelines for slum upgrading developed and adopted by the MLHUD.	No change in substance; the name of the ministry adopting the policies has changed.

⁵ 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.

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD)</i>	<i>Proposed</i>	
Housing quality index established.	Dropped.	No data available for constructing the index and the team has decided to focus on other priorities.
Database with KISIP project data and inventory of informal settlements in KISIP urban centers operational and accessible to the public.	The indicator now has more detail on what the database will cover.	The clarification will help in assessing progress towards the goal.
Component 2		
Informal settlements benefiting from enhanced tenure security under KISIP.	No change.	Underway.
GIS labs at the MLHUD upgraded and operational.	No change.	Complete.
Component 3		
Infrastructure sub-projects functioning one year after completion and with operations and maintenance arrangement in place.	Dropped	Infrastructure subprojects will be implemented in accordance with the bidding documents, which are reviewed. Construction quality will be reviewed during regular implementation support missions and monthly contractor meetings. County budgets reflect the capital and recurrent costs. Recurrent costs are minimal for the kind of infrastructure being prepared under KISIP. Moreover, assessing operations and maintenance arrangements one year after completion is difficult. This will be especially true for sub-projects that will end in the final year of the project. Therefore, this indicator is redundant to measuring the completion of works undertaken.
People in settlements provided with access to improved shared sanitation facilities under KISIP.	No change.	Underway.
New piped household water connections under KISIP	No change.	Target increased.
New sewer connections constructed under the project	No change.	Target increased.
Roads rehabilitated, non-rural	No change.	Target increased.
New street or security lights put into place under KISIP	No change.	Target reduced to reflect actual investments.
	Drainage systems rehabilitated.	Added to reflect a major investment category under KISIP.
	Footpaths rehabilitated.	Added to reflect a major investment category under KISIP.

Revisions to the Results Framework		Comments/ Rationale for Change
PDO		
<i>Current (PAD)</i>	<i>Proposed</i>	
Component 4		
Study of constraints to delivery of serviced land completed.	Dropped.	Such a study has been undertaken by others.
Preparation of city-specific housing strategies and action plans.	Dropped.	The counties, rather than the ministry, now have the mandate for this activity. The ministry will support counties in developing strategies and plans for providing affordable housing in urban areas, the nature of which is still being discussed.
	Situational analysis.	Already achieved.
	Survey of housing conditions in four urban centers.	Already achieved.
	Strategy and plans for providing affordable housing for at least one urban center.	This activity is planned.

* Indicate if the indicator is Dropped, Continued, New, Revised, or if there is a change in the end of Project target value

Kenya: Informal Settlements Improvement Project Additional Financing

REVISED PROJECT RESULTS FRAMEWORK

Project Name:	Kenya Informal Settlements Improvement Projects - Additional financing (P144966)	Project Stage:	Additional Financing	Status:
Team Leader(s):	Abebaw Alemayehu	Requesting Unit:	AFCE2	Created by:
				Roderick M. Babijes on 03-Mar-2015
Product Line:	Recipient Executed Activities	Responsible Unit:	GSURR	Modified by:
				Roderick M. Babijes on 09-Mar-2015
Country:	Kenya	Approval FY:	2015	
Region:	AFRICA	Lending Instrument:	Investment Project Finance	
Parent Project ID:	P113542	Parent Project Name:	Kenya Informal Settlements Improvement Project (KISIP) (P113542)	

Project Development Objectives

Original Project Development Objective - Parent:

The overall project development objective of KISIP is to improve living conditions in informal settlements in selected municipalities in Kenya.

Proposed Project Development Objective - Additional Financing (AF):

To improve living conditions in informal settlements in selected urban centers in selected counties in Kenya.

Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	People in urban areas provided with access to Improved Water Sources under the project	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	100000.00
				Date	03-Apr-2012	31-Dec-2014	30-Jun-2016
				Comment			
Revised	People in urban areas provided with access to all-season roads within a 500 meter range under the project	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	1000000.00
				Date	03-Apr-2012	31-Dec-2014	30-Jun-2016
				Comment			
Revised	People in informal settlements provided with access to improved drainage infrastructure under the project	<input type="checkbox"/>	Number	Value	0.00	0.00	1000000.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
Revised	Direct project beneficiaries	<input checked="" type="checkbox"/>	Number	Value	0.00	2015.00	1070000.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
No Change	Female beneficiaries	<input checked="" type="checkbox"/>	Percentage Sub Type Supplemental	Value	0.00	1010.00	535000.00
Revised	People benefiting from improved tenure security under component 2 of KISIP.	<input type="checkbox"/>	Number	Value	0.00	2015.00	71000.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			

Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
New	Planning manual for informal settlements	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date		31-Dec-2014	30-Jun-2016
				Comment			

New	Housing Survey	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date		31-Dec-2014	30-Jun-2016
				Comment			
New	Situational Analysis	<input type="checkbox"/>	Yes/No	Value	No	Yes	Yes
				Date		31-Dec-2014	30-Jun-2016
				Comment			
New	Footpaths Rehabilitated	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	37.00
				Date		31-Dec-2014	30-Jun-2016
				Comment			
New	Drainage System Rehabilitated	<input type="checkbox"/>	Kilometers	Value	0.00	0.00	40.00
				Date		31-Dec-2014	30-Jun-2016
				Comment			
Revised	New Sewer connections constructed under the project	<input type="checkbox"/>	Number	Value	0.00	0.00	3000.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment		Sewerage works in Kayole Soweto commenced in Feb/March 2014 and expected to be completed in 18 months.	
Marked for Deletion	Preparation of city-specific housing strategies and action plans.	<input type="checkbox"/>	Number	Value	0.00	0.00	5.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment		To be dropped.	
Marked for Deletion	Study of constraints to delivery of serviced land completed.	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016

				Comment		To be dropped.	
Revised	New street or security lights put into place under KISIP.	<input type="checkbox"/>	Number	Value	0.00	0.00	40.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
Revised	Roads rehabilitated, Non-rural	<input checked="" type="checkbox"/>	Kilometers	Value	0.00	0.00	1540.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
No Change	New piped household water connections that are resulting from the project intervention	<input checked="" type="checkbox"/>	Number	Value	0.00	0.00	4000.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
No Change	Database with slum inventory operational and accessible to the public.	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			Database operational and accessible to the public.
Marked for Deletion	Housing quality index established.	<input type="checkbox"/>	Text	Value	0.00		Housing quality index updated and published.
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment		This indicator to be dropped.	
Revised	Policies, frameworks, and guidelines for slum upgrading developed and adopted by the MLHUD	<input type="checkbox"/>	Number	Value	0.00	1.00	1.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment		Activity completed.	

Revised	People in settlements provided with access to improved shared sanitation facilities under KISIP.	<input type="checkbox"/>	Number	Value	0.00	0.00	2250.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
Marked for Deletion	Infrastructure sub-projects functioning one year after completion and with operations and maintenance arrangement in place.	<input type="checkbox"/>	Percentage	Value	0.00	0.00	90.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			
No Change	GIS lab at the ministry upgraded and operational.	<input type="checkbox"/>	Yes/No	Value	No	No	Yes
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment			GIS lab operational
Revised	Informal settlements benefiting from enhanced tenure security under KISIP.	<input type="checkbox"/>	Number	Value	0.00	13.00	64.00
				Date	25-Oct-2010	31-Dec-2014	30-Jun-2016
				Comment		(218 hectares)	(2200 hectares)