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ANNEX I

of the Commission Implementing Decision on the financing of the annual action plan in favour of the Republic of Kenya for 2022

Action Document for Green Deal #TeamEuropeKenya

ANNUAL PLAN

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation, and action plan in the sense of Article 23(2) of NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	<u>Green Deal #TeamEuropeKenya</u> CRIS number: NDICI-Africa/2022/043-192 OPSYS number: ACT-60733 Financed under the Neighbourhood, Development and International Cooperation Instrument (<u>NDICI-Global Europe</u>).
2. Team Europe Initiative	Yes Part of the Team Europe Initiative (TEI) on Green Deal with Kenya.
3. Zone benefiting from the action	The action shall be carried out in Kenya, mainly in Nairobi, other cities to be determined, some peri-urban and rural areas, in particular drought-prone arid and semi-arid lands.
4. Programming document	Multi-annual Indicative Programme (MIP) for Kenya 2021-2027
5. Link with relevant MIP(s) objectives / expected results	MIP objectives 1.1; 1.2; 1.3 and expected results 1.1a; 1.1.b; 1.2;1.3a; 1.3b MIP objectives 2.1; 2.2; 2.3 and expected results 2.1a; 2.1.b; 2.2a; 2.2b; 2.3a; 2.3b
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Areas, sectors	MIP Priority Area 1. Green Transition: Environmental Sustainability and Resilience 1.1. Natural capital and resilience (e.g. in drought-prone arid and semi-arid lands) 1.2. Green economy and sustainable business (e.g. locally-sourced appropriate construction) 1.3. Sustainable energy (e.g. electric mobility using locally-sourced renewable energy) MIP Priority Area 2. Leave no one behind: Human Development and Digital Inclusion 2.1. Education and skills for employment (e.g. schools in slums and apps for construction) 2.2. Empowering women and youth (e.g. improved mobility and leadership in upgrading) 2.3. Inclusive and resilient urbanisation (e.g. accessible transport and low-cost housing)

7.Sustainable Development Goals (SDGs)	Main SDG 1-no poverty Other significant SDGs (up to 9): 2-zero hunger, 5-gender equality, 7- access to affordable, reliable, sustainable and modern energy; 10-reduced inequalities, 11-sustainable cities and communities, 13-climate change, 15- life on land			
8 a) DAC code(s)	For Green Public Transport Programme (GTP): 21012 – Public transport services – 75% 21013 – Transport regulation – 15% 23642 – Electric mobility infrastructure – 10% For Low-cost housing and participatory slum upgrading (PINUA) and informal settlements (KISIP 2): 43030 – Urban development and management – 5% 16030 – Housing policy and administrative management – 5% 16040 – Low-cost housing – 30% 16050 – Multisector aid for basic social services (including watsan and education) ¹ – 60% For Dryland Climate Action for Community Drought Resilience (DCARD): 74020 – Multi-hazard response preparedness (Disaster Prevention & Preparedness) – 50% 311 – Agriculture – 15% 152 – Conflict, Peace & Security – 5% 151 – Government & Civil Society-general – 10% 140 – Water Supply & Sanitation 20%			
8 b) Main Delivery Channel	-The European Investment Bank (EIB) - 42004 -France (via the <i>Agence française de Développement</i> (AFD)) - 11001 -Germany (via the <i>Deutsche Gesellschaft für Internationale Zusammenarbeit</i> (GIZ)) - 11003 -UN-Habitat - 41120 (with UNOPS - 41502) -The National Drought Management Authority (Recipient Central Government) – 12001 -The World Bank – 44001			
9. Targets	<input type="checkbox"/> Migration <input checked="" type="checkbox"/> Climate <input checked="" type="checkbox"/> Social inclusion and Human Development <input checked="" type="checkbox"/> Gender <input checked="" type="checkbox"/> Biodiversity <input checked="" type="checkbox"/> Education <input checked="" type="checkbox"/> Human Rights, Democracy and Governance			
10. Markers (from DAC form)	General policy objective	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women's and girl's empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Disaster Risk Reduction	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

¹ According to OCDE DAC and CRS codes 'basic social services' are defined to include basic education, basic health, basic nutrition, population/reproductive health and basic drinking water supply and basic sanitation.

	Nutrition	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11. Internal markers and Tags:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	<input type="checkbox"/>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Connectivity digital connectivity energy transport health education and research	<input type="checkbox"/>	<input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	<input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
	Migration (methodology for tagging under development)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reduction of Inequalities (methodology under development)	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	BUDGET INFORMATION			
12. Amounts concerned	<p>Budget line(s) (article, item):</p> <ul style="list-style-type: none"> - BGUE-B2022-14.020121-C1-INTPA: EUR 39 958 493 - BGUE-B2022-14.020121-C2-INTPA: EUR 31 041 507 <p>Total estimated cost: EUR 650 250 000 (EUR 77 750 000 in grants, EUR 529 500 000 in loans and EUR 43 000 000 as Government of Kenya contribution).</p> <p>Total amount of EU budget contribution: EUR 71 000 000</p> <p>This action is co-financed in joint co-financing by (all indicative amounts):</p> <ul style="list-style-type: none"> – European Investment Bank (EIB) for an amount of EUR 270 000 000 – France (AFD) for an amount of EUR 115 750 000 – World Bank for an amount of EUR 135 000 000 – Germany (GIZ) for an amount of EUR 6 000 000 – Government of Kenya (GoK) for an amount of EUR 43 000 000 			

	<ul style="list-style-type: none">– Kenya Women’s Bank (KWFT) for an amount of EUR 9 500 000 in private financing <p>Amount and modality for the involvement of multilateral partners:</p> <ul style="list-style-type: none">– EIB with blending for an EUR 30 000 000 EU grant for the Green Public Transport Partnership (GPTP)– UN Habitat via an EUR 8 000 000 EU grant for the Partnership Implementing the New Urban Agenda (PINUA)– WB via an EU grant EUR 1 000 000 for building capacity of Team Europe and GoK partners on development impact evaluation relevant to the Action. <p>Amount and modalities of involvement of EU Member States:</p> <ul style="list-style-type: none">– Germany (GIZ) with EUR 2 000 000 EU grant for the Green Public Transport Partnership– France (AFD) with blending for EUR 12 000 000 EU grant for the Green Public Transport Partnership and EUR 5 000 000 EU grant for KISIP 2. <p>The expected contributions of EU partners to the Team Europe Initiative on Green Deal amount to EUR 2 592 000 000, with the following indicative contributions per Member States (in million EUR):</p> <table><tr><td>DE</td><td>DK</td><td>EIB</td><td>ES</td><td>EU</td><td>FI</td><td>FR</td><td>IE</td><td>IT</td><td>NL</td><td>SE</td><td>SK</td><td>SL</td></tr><tr><td>610</td><td>57</td><td>496</td><td>2</td><td>397</td><td>11</td><td>799</td><td>3</td><td>48</td><td>85</td><td>81</td><td>1</td><td>2</td></tr></table>	DE	DK	EIB	ES	EU	FI	FR	IE	IT	NL	SE	SK	SL	610	57	496	2	397	11	799	3	48	85	81	1	2
DE	DK	EIB	ES	EU	FI	FR	IE	IT	NL	SE	SK	SL															
610	57	496	2	397	11	799	3	48	85	81	1	2															
MANAGEMENT AND IMPLEMENTATION																											
14. Type of financing (Art. 27 NDICI)	<p>Direct management through:</p> <ul style="list-style-type: none">– grants <p>Indirect management with</p> <ul style="list-style-type: none">– UN-Habitat– <i>Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)</i>– World Bank <p>Further, a contribution to the Africa Investment Platform (AIP) shall be implemented in indirect management by EIB and France (AFD) or by entities indicated in appendix 2 to this Action Document, in accordance with the Regional Blending Platform’s award procedure.</p>																										

1.2 Summary of the Action

As part of the EU Global Gateway, the Action is a key component of the Kenya Green Deal Team Europe Initiative (TEI). It contributes to the TEI's overall objective 'to advance towards a green economy that contributes to climate neutrality, biodiversity, reduced pollution, resilience, decent jobs, and sustainable economic growth'.

This Action's overall objective is '**to promote greener, more inclusive and resilient urbanisation and rural development in Kenya**' and comprises of the following three specific objectives, to:

- 1. Make urban mobility more environmentally, socially, and economically sustainable and accessible.**
- 2. Deliver participatory slum upgrading, land services and low-cost green and adequate incremental housing solutions replicable at scale by low-income households.**
- 3. Enhance resilience to drought and other climate change effects of communities in arid and semi-arid lands.**

In this way the Action contributes to climate mitigation and adaptation priorities in Kenya.

Over half of Kenya's population will be living in cities by 2050 driven by rural to urban migration as economic growth and jobs continue to gravitate towards urban centres. Climate change contributes by inducing poverty and malnutrition amidst rural populations. More than half of the urban population live in slums with inadequate basic services, such as precarious housing, water, sanitation, energy, solid waste management and the lack of reliable public transport. The negative externalities of climate change contributing to rapid urbanisation are mutually reinforcing and require complementary efforts in both the urban and rural areas, which the Government of Kenya (GoK) is committed to address.

Building on long-standing EU support, GoK is developing its first national public mass rapid transit system (MRTS) in the Nairobi Metropolitan Area (NMA). The EU has been supporting this since 2015 to re-establish public transport that is inclusive, safer and green. GoK has also committed to delivering 500 000 affordable housing units, to upgrade slums and to improve resilience to climate change in rural areas. This will be achieved by better anticipating and mitigating the impact of drought and the reduction of other vulnerabilities in 23 Arid and Semi-Arid counties, hence indirectly slowing down the need for migrating to urban areas.

To support GoK on the above objectives, the Action proposes the following programmes:

- 1. The EU-Kenya Green Public Transport Partnership (GTPP)** (EU grants of **EUR 44 000 000 to EIB and France (AFD)** who will lend EUR 220 000 000 in sovereign loans, an EUR 6 000 000 German (GIZ) grant, and EUR 28 000 000 contribution from Government of Kenya) to operationalise Nairobi's green public transport. Most importantly, this will provide inclusive, safer and greener commuting and reduce diseconomies of scale caused by traffic congestion. Then it will become Africa's first electric bus rapid transit (BRT) line reducing emissions and improving public health by reducing pollution.
- 2. The EU-Kenya-UN Partnership Implementing the New Urban Agenda (PINUA)** (an **EUR 8 000 000² EU grant** to UN Habitat, leading to parallel financing of EUR 120 000 000 loan from EIB, EUR 9 500 000 million loans from the Kenya Women's Bank (KWFT) and EUR 8 000 000 from GoK). The aim is to implement participatory slum upgrading and to stimulate the provision at scale of land and other services for low-cost green adequate incremental housing. PINUA will draw on successful land-based financing; incremental housing; community co-production; and blended financing for households that prevents over indebtedness, among others. Manufacturing locally-sourced appropriate or recycled materials will favour the local and circular economy and creating decent jobs targeting people with disabilities, women and youth.
- 3. EU support to the Second Kenya Informal Settlements Improvement Programme (KISIP-2)** (a **EUR 5 000 000 EU grant** to AFD for technical assistance, leading to a EUR 45 000 000 loan and a EUR 750 000 grant from AFD, and EUR 135 000 000 loan from World Bank) to replicate KISIP phase 1. KISIP 2 aims to improve access to basic services and tenure security of residents in urban informal settlements/slums and strengthen institutional capacity for their upgrading in Kenya. It will also improve livelihoods through socio-economic inclusion of informal settlement residents through implementing community development plans.

² Another EUR 10 000 000 EU grant may be committed for PINUA phase 2 under AAP-2024 subject to success of this first phase.

4. **The EU-Kenya programme on Dryland Climate Action for Community Drought Resilience (DCADR)** (an **EUR 13 000 000 EU grant** to National Drought Management Authority leading to a EUR 5 000 000 GoK contribution), to support communities and ecosystems to become more resilient and experience improved food security in drought-prone arid and semi-arid lands.

The Action will deliver on the MIP priority areas ‘1. Green Transition: Environmental Sustainability and Resilience’ and ‘2. Leave no one behind: Human Development and Digital Inclusion’, with key indicative targets as follows in the next 5 years: 12.2 km of urban roads adapted and dedicated exclusively as corridors for public transport supported by EU; 150,000 commuters in Nairobi will use green public transport daily; 15,000 tons of CO₂ emissions yearly will be saved in Nairobi urban transport sector; 9500 people will benefit from better living condition via participatory slum upgrading; 80 000 people will live in low-cost green adequate housing and 500 model low-cost green houses will be built; 36 000 decent jobs will be created targeting young people, women and people with disabilities in sustainable urbanisation; and malnutrition will be significantly reduced among vulnerable rural communities in arid and semi-arid areas.

This Action also aligns with the Paris Declaration, Accra Agenda for Action and Addis Ababa Agenda. It contributes towards the Paris Agreement on Climate Change by reducing emissions, promoting adaptation and the role of communities and cities in building resilience. It contributes to biological diversity and the fight against desertification through the Dryland Climate Action component. Finally, it contributes to SDG 1-no poverty; 2-zero hunger; 5-gender equality, 10-reduced inequalities, 11-sustainable cities and communities; 13-climate change; 15-life on land.

2 RATIONALE

2.1 Context

i. Political and Financial outlook

Kenya is an EU’s strategic partner in the stability and security of the Horn of Africa, in climate action³ and in a green and circular economy. As a growing lower-middle income country, Kenya is also a regional economic hub, a growing market for European companies, and an ally on universal values and multilateralism. In May 2021, the Council Conclusions on the Horn of Africa identified Kenya as a key partner for the EU and, in June 2021, EU and Kenya agreed to launch a Strategic Dialogue-which underlined both parties’ commitment to the Kenya Green Deal TEI-and to engage in a bilateral Economic Partnership Agreement negotiation. The EU’s Green Deal in Kenya is playing and can play an important role in all these fronts.

The CoViD-19 pandemic has deepened inequalities and severely hit Kenya’s economy. In the second quarter of 2020, the pandemic led to a 5.5% contraction of GDP compared to a 5.1% growth during the same period in 2019. The services sector was particularly affected, in particular accommodation, transport, education and professional services. Overall, the economy contracted by 0.3% in 2020 but a steady recovery is observed since the second half of 2020 and GDP is expected to grow by 6.3% in 2021. The crisis has led to an IMF 38-month USD 2 340 000 000 recovery programme in April 2021. The World Bank (WB) also came up with a USD 750 000 000 lending package in June 2021 through its third Development Policy Operation (DPO) in Kenya, complementing the USD 1 billion financial package approved in 2020 under DPO 2.

Overall, the country adheres to EU fundamental values, although shortcomings remain (e.g. corruption, human rights, and political instability). The general elections foreseen for August 2022 are a main risk and may influence already agreed terms for the implementation. This will be mitigated by adapting programming and contracting timeframes.

ii. Rationale and Assessment

The ‘partnership’ between Kenya, the EU and its MS is placing more emphasis on ‘common values’ and ‘mutual interests’. These are translated into actions under the approved **EU-Kenya Multiannual Indicative Programme**

³ Kenya is affected by climate change, and has made significant commitments towards combating it in its Nationally Determined Contribution (NDCs), updated to the United Nations Framework Convention on Climate Change (UNFCCC) in December 2020. Kenya promised an increased ambition of a 32% reduction in emissions, compared to the 2015-2020 ambition of 30%, through a multi-sectoral approach to mitigation and adaptation.

(MIP) 2021-27. The MIP includes three priority areas: 1. **Green Transition:** Environmental Sustainability and Resilience; 2. **Leave no One Behind:** Human Development and Digital Inclusion; and 3. **Democratic governance, peace and stability.** These priorities support the implementation of the two crosscutting TEIs: one on Green Deal and one on Human-centred Digitalisation.

The annual action plan (AAP) for 2022 (with an EU allocation of EUR 111 000 000 in grants) includes three Actions touching on the above three priority areas: digitalisation, green inclusive urbanisation and rural resilience, and migration.

This Action Document concerns Action 1 on the AAP 2022 labelled **Green Deal #TeamEuropeKenya** and it reinforces the EU as a key partner in Kenya's green transition. It involves the implementation of blending operations with European Lead Finance Institutions (LFIs), establishing green public transport, green low-cost adequate housing supply chains, and participatory slum upgrading. It also consists of improving drought resilience directly through GoK and hereby reducing rural to urban migration.

Guarantees for private investments by micro, small, and medium enterprises (MSMEs), cooperatives and banks (namely women's banks) could be instrumental and hence it is expected that the European Fund for Sustainable Development Plus (EFSD+) will complement the Action. The EU will seek for additional private investments both through this Action and through the EUR 61 000 000 allocated for EFSD+ in the MIP for Kenya.

iii. Political priorities

The Action will support key priority areas in **Kenya's 2030 Vision**. For years, Kenya and the EU have been preparing the grounds for transitioning to green public transport, to unlock affordable (low-cost) green and adequate housing, and to implement participatory slums upgrading that has been prepared with communities for a decade with EU funding. Similarly, support to the devolution process is a priority of Kenya, and all the interventions of the National Drought Management Authority (NDMA) will take place in the Arid and Semi-Arid Lands (ASAL) counties. Key to this NDMA initiative will be the support towards building the capacities of Counties to respond to and mitigate drought-related challenges. These areas are high on the political agenda and are expected to remain so after the summer 2022 elections. This also contributes to the global call to increase resilience to droughts expressed in the COP 15 of the UN Convention to combat desertification (UNCCD) held in Abidjan, Côte d'Ivoire, in May 2022.

EU political and economic interests are brought forward through a solid Team Europe (TE) engagement in the green economy, with the EU, EIB, France (AFD and Proparco), Germany (GIZ and KfW), and other EU MS heavily involved in the TEI.

The inclusive urbanisation space is dominated by WB and the UN whose expertise will be tapped on to upscale impact. In addition, given the potential for replication of the TE partnerships with WB and UN across Africa, the Action contributes to EU geopolitical positioning and dialogue opportunities in other countries, as well as to setting good practices, transfer of technology, trade, investments and exchanges in the academic and civic spheres.

In the case of green public transport in the Nairobi Metropolitan Area (NMA), the preparatory work by the EU to operationalise the Clean BRT has already triggered other donors' interest. After years of hesitance, other donors such as AfDB, Korea, Japan, China, the Millennium Challenge Corporation and WB are positioning themselves to finance the expansion of the BRT system. The investment needs are so vast that there is space for all donors to contribute cooperatively for decades. By leading in this area, the EU is setting the standards such as mainstreaming electric mobility and upholding higher social and environmental safeguards standards.

The WB has called upon the EU to join forces on their 'green bonds' initiative with GoK. Building on the expertise of European LFIs such as FMO, the EU is exploring efficient ways to unlock capital markets for both social and environmental impact through EFSD+ guarantees.

The GoK's main political commitment to achieve the Kenya Vision 2030 is the **Big Four Development Agenda** involving the objectives of 'affordable housing', 'manufacturing' and 'food security'. Participatory slum upgrading and green construction supply chains will contribute to the targets of low-cost housing and of manufacturing. The manufacturing of locally-sourced appropriate materials is not only an opportunity for local economic development but can create decent jobs amenable for people with disabilities, women, youth and can boost inclusion of

communities living in vulnerable conditions. Subject to performing well, the slum upgrading and low-cost housing interventions could be topped up with another EUR 10 000 000 grant under the AAP 2024. The EIB has indicatively earmarked EUR 120 000 000 but this could be increased and other European IFIs such as AFD and ProParCo who seem interested.

The NDMA's work is based on and aligned to the regional IDDRSI (IGAD Drought Disaster Resilience and Sustainability Initiative) context, which is a Horn of Africa strategy spearheaded by IGAD, and the Ending Drought Emergencies (EDE) common programme framework within Kenya. One of the priority adaptation programmes in Kenya's Nationally Determined Contributions (NDC) under the Paris Agreement, updated and submitted in December 2020, is disaster risk reduction, specifically 'drought early warning, preparedness, and response for enhanced drought resilience'. Various components of the EDE strategy are also aligned with other NDC adaptation priorities, such as climate-proofing infrastructure investments, water harvesting and storage, and sustainable natural resource management. Some of these have mitigation co-benefits, contributing also to the NDC mitigation targets. Catastrophe bonds (CAT bonds) may also be explored under the EFSD+ opportunities.

2.2 Problem Analysis

Given the nature of the problems and the stakeholders this section is divided in two parts (i) urbanisation (GPTP, PINUA and KISIP 2) and (ii) rural development (DCADR).

i. Short problem analysis on urbanisation:

Unsustainable urbanisation path dependencies

Kenya faces an urgent need to better plan, invest in, and manage urbanisation. Only Lamu and Makueni have a County Spatial Plan, with the remaining 45 Counties being under preparation. Furthermore, there is a lack of Integrated Strategic Urban Development Plans (ISUDs), resulting in unplanned settlements and neighbourhoods. In particular, the Nairobi Metropolitan Area (NMA) hosts about 10 million citizens today. By 2035, NMA will involve 15.5 million and by 2045 close to 19 million. Nairobi is growing rapidly with inadequate urban and transport planning, leading to poor service delivery that constrains its social and economic development. The amplifying environmental externalities are causing an increasing number of deaths among the most vulnerable populations. Investment in urban infrastructure is low relative to the needs. Three major problems that arise from the above:

1. Unsustainable urban mobility-traffic congestion, high-cost, unsafe and bad for health:

Collective transport in Kenya is dominated by thousands of paratransit operators constituted either by Savings and Credit Co-Operative Societies (SaCCoS) or by networks of small investors often involving influential elites. Each of these run a few *matatus* ranging from dozen-passenger vans to medium-sized buses. More recently, motorbike taxis have also found their space in the streets of Nairobi and are a cheaper alternative to Uber but still unaffordable for the daily commuting of most. Walking long hours remains the only viable option for many.

While buzzing, and dynamically responding to the increasing demand for urban mobility, paratransit operators cause controversy. Fierce on-the-road competition for passengers aggravates congestion and safety. *Matatu* routes are allocated non-transparently and may not even be followed leading to unanticipated ad-hoc transfers, as well as to unreliable fare costs. This *modus operandi* discriminates against those living in poverty, those with disabilities, women, youth and the elderly. Citizens denounce institutional neglect and impunity of ruthless operators, and therefore call for urgent public intervention in favour of mass transit systems.

Vehicle congestion exposes users and pedestrians to toxic fumes damaging their health. The World Health Organisation (WHO) estimates that 19 000 people die prematurely annually in Kenya because of air pollution. A major cause is PM 2.5 exposure, which in Nairobi, according to the UN Environment, is 70% over the safe level.

The NMA's transport challenge is not only mobilising investment for public transport infrastructure. It is also about promoting the necessary institutional and political economy transformations required for a public transport system that is more efficient, safer, inclusive, and cleaner.

2. Continuous settling of population in slums/informal settlements in inhuman conditions

More than 50 percent of the urban population in Kenya live in informal settlements (also called slums). It is predicted that over half the national population will be living in cities by 2050. Overcrowding of settlements with inadequate basic services, such as adequate housing, water, sanitation, energy and solid waste management will continue to exacerbate urban poverty, inequality and human development. As seen during the COVID-19 pandemic, incidence in informal settlements has been relatively higher.

Kenya has legal and policy frameworks for dealing with informal settlements upgrading, development of affordable housing and land management. These include the National Urban Development Policy (2016), the National Housing Policy (Sessional Paper No 3 of April 2016), the Kenya Slum Upgrading and Prevention Policy, the National Land Policy, the newly enacted Sectional Properties Act, PLUPA, 2019 and other land laws, regulations and frameworks that complement and facilitate housing and planning interventions. A key challenge however is the magnitude of the needs and the requirement of comprehensively implementing urban interventions to achieve the intended impact.

GoK programmes such as the Kenya Informal Settlements Improvement Programme (KISIP) (financed by the WB) and the Kenya Slum Upgrading Programme (KenSUP), have been successful but have not delivered to scale due to funding limitations. Despite their huge relevance and success in positively impacting low-income households, these interventions are practically anecdotal in terms of scale.

Similarly, the EU has funded the Participatory Slum-upgrading Programme (PSUP) for over 10 years in Kenya through UN-Habitat's headquarters in Nairobi. Kenya has developed plans for implementation for eight slums, but these have not been executed due to the lack of resourcing. The full lifecycle through to community benefit has not been reached. This offers an opportunity for the EU to leverage the required financing to implement the plans.

3. Increasing gap between supply and demand for adequate and green low-cost housing

The 2019 Kenya census accounted for 12.1 million households, with a breakdown of 74% rural and 26% urban. National housing demand stands at 250 000 additional units annually with a formal sector supply of a mere 50 000 units. The estimated current shortage is at 2 million units, and it will increase to 8 million in less than a decade. GoK's estimated investment requirements to meet housing demand over 20 years is between USD 45 000 000 000 to 90 000 000 000. The GoK's Big Four Agenda set itself a target of delivering 500 000 affordable homes across the 47 counties which will not be met. Neither will the Kenya Mortgage Re-finance Company (KMRC) deliver more than an anecdotal number of mortgages since most people can simply not afford housing delivered by the formal markets.

The housing sector in Kenya can be categorised into four sub-markets: 'incremental' mostly in rural and peri-urban areas; 'slums' mainly urban; 'small landlord' urban; and 'formal' urban. Most supply is facilitated by informal sources e.g. over 65% of housing units constructed are household/owner-driven (S. Shah et al, AFD & PROPARCO Study 2020) meaning people use whatever they can and local informal supply chains to construct houses. Without adequate guidance, these houses may be affordable but inadequate. GoK's strategy to affordable housing is mostly focusing on the public-private-partnerships (PPPs) led by formal developers, an approach which has not delivered low-cost housing to scale anywhere in the rapidly urbanising world. Globally, the only publicly-supported low-cost housing programmes⁴ that have delivered at scale (of millions) involve partnerships between the public sector, private formal and informal supply of construction services and supplies along with people and communities in a position to co-produce housing. There are numerous experiences to learn from both globally and in Africa. To deliver low-cost housing at scale, a paradigm and policy shift is required to unlock such evidence-based solutions.

⁴ Namely in India through 'aided self-help', in Sri Lanka with 'home owner-driven construction', in Afghanistan and Nepal through 'peoples' processes', and to a large extent also across in Latin America through 'community-led construction'.

The large and increasing demand for housing places pressure on available expertise and young professionals currently lack experience. There is a need for mentoring and for creating opportunities for youth and women in sustainable, inclusive and resilient urbanisation to bridge this gap.

ii. Identification of main urbanisation stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the Action:

Stakeholders for urbanisation and GoK side (duty bearers):

-**The State Department of Housing & Urban Development (SDHUD)**, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works (MoTIHUD&PW) is the main counterpart for all three urbanisation interventions. The Ministry has committed to invest in all three. SDHUD has established a National Project Coordination Team (NPCT), and shall be in charge of all fiduciary and financing responsibilities of KISIP 2.

-**The National Treasury (NT) of Kenya** is the Beneficiary of the GTPP, PINUA and KISIP 2 financing for both LFI loans and indirectly of the EU-delegated grant. NT will be the signatory of both Credit and Grant agreements. The NT will designate all implementing agencies of the programmes.

-**The Nairobi Metropolitan Area Transport Authority (NaMATA)** will be the main GoK contracting and regulatory authority in the operationalisation of the green public transport programme.

-**Kenya Urban Roads Authority (KURA)** provides GoK services and expertise on road works and maintenance.

-**Kenya National Highways Authority (KeNHA)** for some urban roads as the autonomous road agency responsible for the management, development, rehabilitation, and maintenance of Class A, B and C roads.

-**Nairobi Metropolitan Services (NMS)** is central for the coordination of operations.

-**The Kenya Mortgage Refinancing Corporation (KMRC)** is an initiative of National Treasury and WB designed to support GoK's affordable housing agenda by providing secure, long-term funding to the mortgage lenders. KMRC could be a partner in developing blended finance products for poorer citizens than it currently does. It could also become a leading partner in mobilising 'green bonds' for adequate affordable and low-cost housing backed by an EFSD+ guarantee.

-**The National Housing Corporation (NHC)** provides rental, tenant purchase and 'site-and-services' schemes.

-**Retirement Benefit Schemes** comprise of 1,655 registered schemes some invest in housing. The **National Social Security Fund (NSSF)** is the largest covering 67% of the working population, and has invested heavily in housing.

-**The County Department of Physical Planning, Lands and Urban Development** for each eligible county involved will be implementing agencies for the infrastructure to be financed under KISIP 2, and shall also be closely involved under PINUA. Each County shall establish County Project Coordination Teams (CPCT) to coordinate project activities within the county.

-**A Settlement Executive Committee (SEC)** will be set up in each settlement involved in the program. Members of the SEC are elected by the settlement residents to represent their interests in the project. They act as the intermediary between the project and the community.

Other relevant organisations involve (duty bearers):

-**Civil society organisation (CSOs)** and **community-based organisations (CBOs)** will be key stakeholders and partners namely in the slum upgrading, informal settlements and housing interventions. They may mediate between communities, the public and private sectors.

-**Communities and households** should be engaged as proactive co-producers and not just 'beneficiaries'. The potential for both in-kind and financial contributions could even double the total investment in both slums upgrading and housing co-production.

-**Private developers** comprises individuals, small-scale developers, as well large-scale developers, groups, etc.

-**Informal construction service providers** are the main suppliers of low-cost housing services and will offer opportunities for scaling up operations, job creation and adoption of appropriate technologies.

-**Insurance Companies** mainly involved in the provision of commercial real estate.

-**Pooled investment Funds** channelled through land-buying companies, cooperative societies, women's groups and, more recently, investment companies, clubs and groups among urban professionals, especially in Nairobi.

-**Cooperatives** in Kenya comprise 12 million members most belonging to savings and credit societies, which mobilise funds for onward lending to members, as well as investing in property on their behalf. Cooperatives in general play a key role as providers of funds to low-income groups, especially for incremental construction, PINUA is likely to

partner with the **National Cooperative Housing Union (NaCHU)** as the main actor in housing and financing of low-income housing.

-Women and men living in the targeted areas who are the rights holders and will be represented by the Civil Society Organisations and Women organisations.

-**The World Bank (WB)** is the lead co-financer of the KISIP and its DIME team may build capacity on development impact evaluations. Under KISIP 2, the WB will be responsible for coordinating and monitoring the activities financed by France (AFD). A co-financing agreement shall be signed between the two institutions. The EU grant delegated to AFD will be managed under the direct supervision of AFD. The EFSD+ guarantees could be considered to complement KISIP 2 namely by mobilising bonds.

i. Short problem analysis on rural climate change adaptation and resilience

-Lack of resilience to drought in rural areas

Despite progress, Kenya's Drought Risk Management (DRM) system is not sufficiently robust to deal with accelerating threats of climate change. Rainfall patterns are less predictable. More frequent and intense droughts are expected, particularly in the ASALs, with implications for food security, nutrition, and long-term development. Drought-related risks co-exist and interact with other hazards. In the face of these inter-related pressures on the DRM system, there is scope for improvement and innovation in the following areas:

-Preparedness: investment is largely project-based, and reliant on external development partners, international NGO's or the national government. There is insufficient attention given to the sustainability of investments, both institutionally and under conditions of deepening climate change. Greater scale and impact could be achieved by piloting innovative financing and delivery approaches that engage the private sector and facilitate ownership and investment by local actors and by widening the range of investments supported to include management of rangelands/natural capital, climate-smart agricultural value chains that contribute to the introduction of more sustainable agri-food systems and livelihood strategies.

-Community Managed Disaster Risk Reduction (CMDRR) and ward drought contingency planning: this has been piloted and adopted by numerous organisations, including the NDMA, but there is no consistent methodology or approach, and it has not been integrated in the mainstream development process, thereby undermining ownership and sustainability. There is also opportunity to further deepen communities' understanding and analysis of climate change, biodiversity conservation, drought, livelihood systems and natural capital interlinkages and further integrate participatory seasonal forecast methodologies as part of NDMA's and other actors' DMDRR efforts.

-Early Warning: the system is not yet triggering early action. There are opportunities to further exploit digital technology and new partnerships that improve forecasting, communication of early warning information, mainstream methodologies for local definition of early action measures and timely response. There is also scope to improve government decision-making and financing in the early stages of drought, including by drawing on the National Drought Emergency Fund (NDEF) or the Drought Contingency Fund (DCF).

-Knowledge management: stakeholder decisions are not sufficiently evidence-based or rooted in an understanding of contemporary livelihoods and climate change/livelihood linkages. Improvements are needed in the quality of research, gender-specific analysis and systems for evaluating and disseminating knowledge.

-Coordination: there are gaps and overlaps in stakeholder action leading to the inefficient use of resources. The EDE is not yet functioning effectively as an inclusive cooperation framework. Policy attention is insufficient outside periods of crisis. Further work is needed to strengthen political leadership and ownership, inter-governmental and inter-sectoral coordination, investment planning, and monitoring and knowledge management processes.

Key outstanding challenges include the capacity of the NDMA to approach drought management interventions from a broader climate adaptation perspective, attract a broader base of investments and to leverage new and innovative partnerships with both state and non-state actors, full operationalisation of the NDEF, and the task of reforming and re-energising EDE. These challenges must be met at a time when government institutions are operating under budgetary and recruitment constraints, and as the country enters a period of political transition (elections).

iv. Identification of main rural stakeholders and corresponding institutional and/or organisational issues (mandates, potential roles, and capacities) to be covered by the action:

While the ultimate beneficiaries of the action are drought-affected populations in Kenya's ASALs, **the NDMA is the primary stakeholder** with responsibility for the drought risk management system and the effectiveness of this action. Other important stakeholders include:

- **County governments:** strengthening their leadership role in EDE and the quality and effectiveness of their partnership with the NDMA in preparedness and response. This will be done on both a bilateral and collective basis, through mechanisms such as the Council of Governors and the Regional Economic Blocs.
- **Private sector and civil society including community-based organisations:** exploring innovative partnerships that leverage additional resources for drought risk management and achieve greater efficiencies and impact.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective of this action is **to promote greener, more inclusive and resilient urbanisation and rural development in Kenya.**

The Specific Objectives (Outcomes) of this action are to:

1. Make urban mobility more environmentally, socially, and economically sustainable and accessible.
2. Deliver participatory slum upgrading, land services and low-cost green and adequate incremental housing solutions replicable at scale by low-income households.
3. Enhance resilience to drought and to other effects of climate change of communities in arid and semi-arid lands.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

Outputs contributing to Specific Objective 1 to ‘Make urban mobility more accessible and environmentally, socially, and economically sustainable:

- 1.1 An operationalised public transport system that incrementally and cooperatively integrates paratransit.
- 1.2 Public transport made accessible to all and supported by users, citizens and institutions as the most efficient and sustainable urban mobility solution.
- 1.3 Strengthened GoK capabilities in replicating and expanding sustainable public transport systems.

Outputs contributing to Specific Objective 2 to ‘Deliver participatory slum upgrading, land services and low-cost green and adequate incremental housing solutions replicable at scale by low-income households’:

- 2.1 Contributed to scaling up of GoK’s operations implementing participatory slum upgrading and informal settlement improvements.
- 2.2 Created sustainable organisational and financing models supplying suitable land and low-cost, green and adequate incremental housing co-production.
- 2.3 Improved capabilities, policies and data resources of GoK and other relevant stakeholders and organisations to better plan, invest in, and manage a more resilient urbanisation with a particular focus on low-cost green and adequate housing.

Outputs contributing to Specific Objective 3 to ‘Enhance resilience to drought and other effects of climate change of communities in arid and semi-arid lands’:

- 3.1 Increased scale, effectiveness and relevance of preparedness, recovery and response support received by drought-affected communities in arid and semi-arid counties.
- 3.2 Leveraged innovative partnerships for drought response, recovery and preparedness.
- 3.3 Strengthened NDMA capacity to perform its core DRM mandate and to attract investment.

3.2 Indicative Activities

Indicative Activities 1.1 (related to Output 1.1 - *An operationalised public transport system that incrementally and cooperatively integrates paratransit*):

- a) Procurement, construction, supervision, and integrated operationalisation of:
- public transport infrastructure (e.g. exclusively dedicated urban road corridor, stations and charging facilities for third-generation-ready electric bus rapid transit (BRT) system core line 3 in Nairobi). Stations and buses will involve accessibility standards to ensure they are accessible to persons with disabilities, older people and those with mobility difficulties.
 - complementary non-motorised transport (NMT) infrastructure alongside the public transport system such as cycle lanes, footpaths, footbridges and other.
 - green spaces compensating for urban trees cut.
 - feeder stations with capacity for integrated multi-modal transport (e.g. transfers between the Clean BRT, *matatus*, moto taxis, etc... using a common electronic ticket system).
- b) Monitoring, adapting and expanding of the public transport system operations (e.g. optimising the carrying passengers smoothly through the dense urban fabric independently of traffic congestion).
- c) Average commuter travel speed is gradually increased along the public transport corridor.
- d) The proactive promotion of cooperation between paratransit (e.g. *Matatus* and other relevant operators) with the public transport system in line with the ‘industrial transition’ (from paratransit to public transport) consensus.
- f) Introduction and tailoring of safety measures for women commuters (e.g. reserved seats and areas for women only, enforcement of sanctions to abusers through security systems, etc...).

Indicative Activities 1.2 (related to Output 1.2 - *Public transport is supported by users, citizens and institutions as the most efficient and sustainable urban mobility solution*):

- a) Implementation of the resettlement action plan (RAP) in line with European (EIB/AFD) standards.
- b) Compensation and mitigation measures for project-affected persons (PAPs) as a result of public works and other impacts of the deployment of public transport include gender and respect of human rights aspects.
- c) Improving access and inclusion to public transport (along the public transport catchment area) for the youth, women and people with disabilities, the elderly, low-income households and other people living in vulnerable situations.
- d) Regulation, integration and enforcement of public transport operations that improve the reliability and predictability of fares and timing in contrast to *matatus*’ opportunistic charging and unreliable routes.
- e) Adaptation of an affordable fares system by NaMATA/regulator involving cross-subsidies if necessary to ensure inclusion of low-income and vulnerable households (e.g. using lessons learned from WB-DIME).
- f) Enhanced monitoring of concerned corridors to improve urban traffic and pedestrian safety (e.g. this can also benefit from WB-DIME to leverage existing sources of big data on congestion, traffic, and road safety).
- g) Enforcement of traffic safety measures to increase use of NMT means.
- h) Ensuring access to stations by people with disabilities by a proactive barrier-free approach.
- i) Adequate security surveillance (e.g. station security staff, cameras, automatic glass doors on platforms, etc...).
- j) Progressive self-sustained budgeting allocated for long-term public transport system operations and maintenance.
- k) Publicise the reduced dependency on imports (e.g. fuel replaced by locally renewable-sourced electricity currently in excess of 1GWh).
- l) Ensuring system revenue collection to cover for operations and maintenance costs and of regulating authority.
- m) Gradual enlargement of the public transport system catchment area to maximise capacity and ensure sufficient revenue (e.g. progressing towards ‘third generation’ BRT operations).
- n) Implementation of a strategy for the recycling of electric bus batteries.
- o) Ensuring climate proofing in line with the ‘Technical guidance on climate-proofing of infrastructure projects for the period 2021-2027’⁵.

Indicative Activities 1.3 (related to Output 1.3 - *Strengthened GoK capabilities in replicating and expanding sustainable public transport systems*):

- a) Capacity building of GoK to be institutionally and technically better equipped to manage the transport sector at large and specifically to expand and replicate public transport systems (e.g. a Clean BRT network beyond Line 3).

⁵ https://ec.europa.eu/regional_policy/en/newsroom/news/2021/07/29-07-2021-commission-adopts-new-guidance-on-how-to-climate-proof-future-infrastructure-projects

This may include increasing capacity in data generation and analysis through WB DIME's "learning by doing" approach.

b) Supporting the regulator (e.g. NaMATA) and other relevant operational organisations (e.g. KURA) to institutionalise the arrangements required to operationalise further public transport system expansions (e.g. integration of clean BRT with other components of the mass rapid transport (MRT) system).

c) Supporting GoK (e.g. NaMATA and KURA) to operationalise additional MRT components or at least demonstrate improved capabilities to do so.

d) The development of additional public transport system components (e.g. Five Clean BRT lines are foreseen to cover the NMA) which build on social and environmental standards set out by this EU-funded programme.

e) Explore and support the development of potential sources of financing for green public transport such as green bonds through the guarantees facilitated by the EFSD+.

Indicative Activities 2.1 (related to Output 2.1 - *Contributed to scaling up GoK's operations implementing participatory slum upgrading and informal settlement improvements*):

a) Participatory validation of previously-approved slum upgrading plans (e.g. from PSUP) and informal settlement improvement (e.g. KISIP 2). Validation should ensure that land-planning and community planning involved organisations of persons with disabilities, and that they consider accessibility broadly, as well as an universal design approaches to make sure everyone can access dignified housing in the project. Solid waste management initiatives may be encouraged to include recycling to promote circular economy (CE).

b) Updating of community infrastructure designs and preparation of procurement packages. This component would also include transferring knowledge on:

i) energy efficiency certification under EDGE (Excellence in Design for Greater Efficiencies) developed by IFC (International Finance Corporation, member of the World Bank Group). EDGE is highly accepted by GoK and offers scope for incremental levels of performance. Other energy efficiency frameworks such as LEED, BREEAM and the European Energy Performance Certificate Scheme for buildings will also be considered. All four schemes may however need further consideration concerning their suitability to a rapidly urbanising context with scarce resources.

ii) on climate proofing as the 'Technical guidance on climate-proofing of infrastructure projects for the period 2021-2027'⁶.

c) Develop implementation models for the approval by the relevant communities and authorities.

d) Develop blended financing models and potential private sector guarantees from the EFSD+ for the approval by the relevant communities and authorities.

e) Implementation of participatory interventions in slums and informal settlements.

f) Develop replication models building on lessons learnt.

g) Support GoK to prepare proposals for appraisal by LFI for financing larger operations including potential guarantees under EFSD+ not only for entrepreneurs but also as a means to mobilising 'green bonds'.

Indicative Activities 2.2 (related to Output 2.2 - *Created sustainable organisational and financing models supplying suitable land and low-cost green and adequate incremental housing co-production*):

a) Review of:

i) local expertise in developing owner-driven and community co-production of incremental housing;

ii) cost-effectiveness of local construction supply chains used by lowest-income households;

iii) the impact of the microfinance for housing across Kenya to identify areas of potential improvement in the cost-efficiency of local supply chains.

b) Mapping of:

i) locally-sourced green appropriate and low-cost construction materials and services.

ii) recycling materials for construction use in line with principles of circular economy (CE)⁷.

iii) available land, land banks or of land-based financing for low-cost adequate green housing developments.

⁶ https://ec.europa.eu/regional_policy/en/newsroom/news/2021/07/29-07-2021-commission-adopts-new-guidance-on-how-to-climate-proof-future-infrastructure-projects

⁷ Construction was identified as priority sector for Circular Economy (CE) uptake in the [report on CE in EU-Africa cooperation for Kenya](https://circulareconomy.europa.eu/platform/sites/default/files/kenya_report.pdf) that DG ENV commissioned in 2021. See: https://circulareconomy.europa.eu/platform/sites/default/files/kenya_report.pdf

c) Technology transfer and establishment of local production units of appropriate green materials (e.g. compressed stabilised earth blocks-CSEB and other low-cost green construction products and services including recycling⁸). This action will also include transferring the knowledge of energy efficiency certification EDGE and, if relevant, other energy efficiency frameworks such as LEED, BREEAM and the European Energy Performance Certificate Scheme for buildings.

d) Implementation of pilot models (in both peri-urban and rural contexts) combining low-cost owner-driven co-production using local construction supply chains and tailored blended microfinance (involving cash grants conditional to construction milestones and concessional loans). This is to be supported by technical assistance to communities (e.g. in organising bulk procurement of materials, in supporting vulnerable households, etc...). CBOs CSOs or cooperatives may become vehicles of such technical assistance.

e) Identification of strategic stakeholders, local champions and devise their roles in the process.

f) Integration of relevant construction supply chains into digital applications (e.g. IBuild, Sherpa, etc...) to diversify construction offer, as well as the generalisation of the EDGE App to improve energy efficiency.

g) Support GoK in developing replication models for upscaling low-cost adequate green incremental housing.

h) Support the endorsement by GoK of green adequate incremental housing construction models (e.g. community or homeowner-led co-production).

i) Support GoK to prepare proposals for appraisal by development banks for financing larger operations including for opportunities in mobilising guarantees through European LFI's via the EFSD+⁹.

j) Draft the PINUA 2 proposal for EU funding and other LFI's (e.g. EIB, AFD, Proparco, etc...).

Indicative Activities 2.3 (related to Output 2.3 - *Improved capabilities, policies and data resources of GoK and other relevant stakeholders and organisations to better plan, invest in, and manage a more resilient urbanisation with a particular focus on low-cost green adequate housing*):

a) Capacity building of key stakeholders (e.g. State Department of Housing, County Authorities, SaCCoS, community leaders, young professionals, mid-career professionals and researchers on urbanisation) on low-cost housing, land tenure security, integrated urban development, etc...

b) Application in practical contexts of accrued capabilities (under activity a)) by key stakeholders.

c) Support the establishing of a revolving fund for capacity building and mentoring on sustainable, inclusive and resilient urbanisation focusing on creating opportunities for young and -mid-career professionals.

d) Promoting harmonised standards and definitions for Open Access database on affordable housing with key partners to assist GoK, funders and regulators to better understand supply and demand experience, successes and blockages, and therefore iteratively commit more capital and take more risk.

e) Technical assistance for mainstreaming the use and adoption of standardised metrics suited to reflect the specific attributes of each of the four housing submarkets.

f) Support policy dialogue between GoK and EU on inclusive, resilient and sustainable urbanisation and housing.

g) Support the authorities and stakeholders in deriving of synergies with other programmes aimed at Kenyan municipalities (e.g. the ASCI - African Sustainable Cities Initiative implemented by the EIB and forthcoming initiatives under the EFSD+ namely under the window on sustainable cities).

Indicative Activities 3.1 (related to Output 3.1 - *Increased scale, effectiveness and relevance of preparedness, recovery and response support received by drought-affected communities in arid and semi-arid counties*) the Action will support NDMA in:

a) Delivering timely, cost-effective and innovative response and recovery interventions (including but not limited to cash transfers).

b) Delivering relevant and sustainable preparedness interventions with priority to Nature-based solutions and green growth/climate-relevant interventions, and small-scale water infrastructure interventions.

Indicative Activities 3.2 (related to Output 3.2 - *Leveraged innovative partnerships for drought response, recovery and preparedness*) the Action will support NDMA in:

⁸ Relevant to assess five case studies on construction identified in the **Footprints Africa report on Circular Economy in Africa** (of which one is Kenyan). See: https://irp-cdn.multiscreensite.com/40a0e554/files/uploaded/CEcasereport_Footprints.pdf

⁹ Consider initiatives such as NASIRA: an innovative financial programme that supports young, female, migrant and COVID-19 affected entrepreneurs in Sub-Saharan Africa and countries neighbouring Europe. See www.nasira.info.

- a) Piloting of innovative delivery and funding partnership modalities e.g. with private sector, county governments, civil society, development partners and others.
- b) Mainstreaming NDMA CMDRR/ward contingency planning regime through partnerships with counties and local organisations.
- c) Explore the potential of leveraging financing through EFSD+ guarantees notably in relation to catastrophe (CAT) bonds.

Indicative Activities 3.3 (related to Output 3.3 - *Strengthened NDMA capacity to perform its core DRM mandate and to attract investment*):

- a) Strengthening NDMA's Drought Early Warning System (DEWS) capacity, accuracy and timeliness.
- b) Strengthening internal and external NDMA knowledge management, research oversight and Management Information System (MIS).
- c) Strengthening NDMA policy advocacy capacity and visibility.
- d) Strengthening NDMA resource mobilisation and partnership capacity.
- e) Strengthening NDMA capacity to drive EDE innovation and stakeholder-led coordination
- f) Technical assistance to NDMA to support implementation of drought risk management and capacity building interventions and compliance with EU/GoK regulations.

The commitment of the EU's contribution to the Team Europe Initiative to which this action refers, will be complemented by other contributions from Team Europe members. It is subject to the formal confirmation of each respective member's meaningful contribution as early as possible. In the event that the TEIs and/or these contributions do not materialise, the EU action may continue outside a TEI framework.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the EIA (Environmental Impact Assessment) screening (relevant for projects and/or specific interventions within a project):

On Sustainable, inclusive and resilient urbanisation

The EIA (Environment Impact Assessment) screening is in the process of being finalised for the GPTP in so far as the potential construction of dedicated lanes and bus stations are concerned for the intended Clean BRT Line 3. The National Environmental Management Authority (NEMA) for the GoK has so far given an *a priori* green light to the project as no major environmental impacts are expected but subject to finalising the EIA. The slums and housing related interventions will go through the relevant screening in due course but it is anticipated the impacts will not only be low but that they will be exemplary in terms of lower-embodied energy materials being used and other aspects such as improved solid waste management. PINUA specific locations of low-cost housing developments are yet to be identified, and once these are decided EIAs will be a requirement. KISIP 2 will also require an EIA.

On rural climate change adaptation and resilience

The EIA (Environment Impact Assessment) screening classified the action as Category C (no need for further assessment).

Outcome of the CRA (Climate Risk Assessment) screening (relevant for projects and/or specific interventions within a project)

On Sustainable, inclusive and resilient urbanisation

No Climate Risk Assessment (CRA) screening has been undertaken at this stage. However, the Nairobi Metropolitan Area is not subject of major climate risks that would have a significant influence of public transport, slum upgrading and housing, with the exception of some rare flooding events which is an important consideration for the design of the Clean BRT line 3 and will be for the slum improvements (e.g. drainage being central) and for the housing sites that may be identified.

On rural climate change adaptation and resilience

The Climate Risk Assessment (CRA) screening concluded that this action is no or low risk (no need for further assessment). Climate risk management is the primary objective of this action. Individual preparedness or response projects funded through the action will be subject, where relevant, to government requirements for environmental risk assessment. Wherever possible and appropriate, investments will also promote sustainable technologies and be alert to the potential for mitigation co-benefits.

Gender equality and empowerment of women and girls

As per OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that:

On Sustainable, inclusive and resilient urbanisation

A public transport system with reliable routes and adequately monitored will be significantly safer and more accessible than current paratransit overcrowded *matatus* and hence will improve women's access to commuting. Additional measures such as segregation of passengers by sex inside the buses at peak times may be considered to prevent physical harassment of women (such as in the Metro in Delhi). In both participatory slum upgrading and owner-led housing women will be encouraged in positions of leadership and the main vehicle identified for facilitating finance is the Kenya Women's Finance Trust (or Women's Bank), since women demonstrate greater reliability in managing finances for household investments such as for building houses. Both PINUA and KISIP 2 foresee the active participation of a minimum of 1/3 women in each Settlement Executive Committee (SEC), the provision of land tenure rights targeting women-headed households with at least 40% of titles granted in the name of women, the provision of infrastructure reducing gender-based violence and increasing livelihood opportunities for women (street-lighting, vendor platforms, etc...). For KISIP 2, a gender action plan shall be developed under CICLIA funding.

The action will contribute to the Gender Action Plan III (GAP III) and especially to thematic area of engagement "addressing the challenges and harnessing the opportunities offered by the green transition".

Child (including girls) health will also be a significant objective with the improvement of water and sanitation infrastructures, the improved access to existing social safety net for the most vulnerable groups, and the development of social services through the implementation of the community development plans.

On rural climate change adaptation and resilience

Socio-cultural values and practises shape both drought vulnerability and the effects of drought emergencies. Women may have less negotiating power in water management, or less access to more profitable economic activities. Drought stress intensifies the pressures on their care-giving and reproductive responsibilities and may also increase the risk of male violence. At the same time, women customarily demonstrate a high degree of skill and effectiveness during crisis.

NDMA systems and procedures require the consideration of gender and other inequalities, for example in the context of the way Community Managed Drought Risk Reduction processes are conducted. Community-based targeting of mitigation and response prioritises women-headed households living in vulnerable situations, while peace boarding schools and food-for-fees initiatives protect at least some girls from dropping out of school. Nevertheless, further measures are required to ensure that the drought risk management system addresses gender equality and female empowerment in a more profound way. This will also be a consideration in the renewal of the EDE framework.

Human Rights

The Action is aligned with the EU Action Plan on Human Rights and Democracy 2020-2024, on harnessing opportunities and addressing challenges of deprived populations in both urban and rural settings. The emphasis on facilitating access to fundamental/basic needs are not only a direct way of addressing shortcoming in human rights but also constitute important safeguards for people to be in a stronger position to strive for the respect of other human rights. The Action will respect the five working principles in all phases: i) respect to all human rights, non-discrimination, transparency, accountability, and participation.

On Sustainable, inclusive and resilient urbanisation

Access to dignified living conditions, be it in the form of adequate housing or dignified living environment (e.g. an upgraded slum with improved shelter, sanitation, lighting, schooling, solid-waste management), are essential contributors to basic citizens' rights.

On rural climate change adaptation and resilience

The EDE framework reflects a recognition that vulnerability to drought risk, particularly in the northern arid counties, has been exacerbated by a history of policy neglect and marginalisation¹⁰. NDMA operations are conducted in the context of constitutional reforms that have begun to redress these inequalities and now place obligations on the State to protect the vulnerable and progressively realise a portfolio of rights, including the right to be free from hunger.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D1. This implies that the Action foresees that disability has been considered in the design of the interventions. For instance, the green public transport programme (e.g. buses would have low floors, reserved seats and space for wheelchairs, loudspeaker announcements, bus stations including ramps and wheelchair gates to facilitates access, and disability sensitisation of drivers and public transport staff); participatory slum upgrading has been developed in by communities who have been prompted to include initiatives to improve access for people with disabilities; and adequate low-cost green housing will, by virtue of focusing on households and community-led processes, involve assistance to people living in the most vulnerable situations and designs endorsed by end-users.

Democracy

On Sustainable, inclusive and resilient urbanisation

Democracy at large is not targeted but the nature of participatory slum upgrading, the establishment of public transport and unlocking the supply of owner and community-led low-cost green housing are important contributors to the well-functioning of a democratic society, in so far as people's choices matter for decisions that affect their lives.

On rural climate change adaptation and resilience

Participatory analysis informs the selection and design of drought preparedness and response activities financed through the NDMA. The Authority uses a process of community managed DRR (CMDRR) and participatory disaster risk assessment which in turn leads to the development of community drought contingency plans. This action will support further mainstreaming of the CMDRR process across communities and localities. Additionally, the action supports NDMA's efforts to further align the County Integrated Development Plans (CIDP) with the EDE Mid-Term Planning framework.

Conflict sensitivity, peace and resilience

On Sustainable, inclusive and resilient urbanisation

Victims of conflict are among the groups of people who end up living in precarious conditions in slums or who cannot afford housing or transport. While the interventions do not explicitly address conflict sensitivity and peace, the end users of public transport, of participatory slum upgrading and low-cost housing tend to include victims of the same and hence may contribute to 'restitution'. The urbanisation interventions do aim at improving resilience at multiple levels: i) an adequate house is one of the most important assets for household to withstand potential shocks be it social, economic or health wise; ii) an improved living environment in a slum with improved drainage and sanitation will improve the communities resilience to flooding or contagious diseases; iii) communities that engage into process of collaborative rehabilitation will be more cohesive in addressing ways of improving resilience in various fronts; iv) if public transport improves the congestion in the city, it will be less vulnerable to diseconomies of scale which limit the ability and resources for GoK to invest in resilience.

On rural climate change adaptation and resilience

Communities in ASAL counties cannot build secure and sustainable livelihoods for as long as insecurity and violence persist. Insecurity constrains access to services and productive resources, particularly the mobility on which pastoral production depends, while drought stress may exacerbate inter-communal tension. For these reasons, peace and security is an integral part of the EDE framework (one of the 6 pillars contained in the framework) and conflict sensitivity a consideration in the design of drought preparedness and response interventions. Project activities will

¹⁰ EDE MTR, p.10

integrate peace-building e.g. the water pans and climate smart interventions will be aimed at reducing the pressure of the livestock on grazing land and nature consequently ensuring that their carrying capacities are sustained, limiting conflict over natural resources. The methodology for seasonal assessments and drought early warning bulletins ensures that these also consider the role of conflict as a driver of food insecurity.

Disaster Risk Reduction

On Sustainable, inclusive and resilient urbanisation

The urbanisation interventions aim at improving Disaster Risk Reduction at multiple levels: i) an adequate house is one of the most important assets for household to withstand potential disasters; ii) an improved living environment in a slum with improved drainage and sanitation will improve the communities likelihood of suffering from flooding or contagious diseases; iii) if public transport improves the congestion in the city, it will be less vulnerable to collapsing completely in case of disasters such as flooding.

On rural climate change adaptation and resilience Disaster risk reduction is the principal objective of the drought Action.

Other considerations if relevant

Financial sustainability

Inability of unregulated markets to deliver social and affordable housing is a well-known market-failure. Resorting to public budget subsidies has proven difficult to ensure constant availability of funding. However, many models exist, predominantly in Europe, which created a financially-sustainable mechanism to finance social and affordable housing in the long run, without resorting to public budgets. These models will be analysed and discussed with Kenyan stakeholders in order to inform them of alternatives with a view to implementing a model best suited to Kenyan situation.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)	Mitigating measures
External environment	1. a) Political or economic instability and GoK reorganisation and policy prioritisation post-2022 election erodes prior commitments to this Action	L	H	<p>For the urban development programmes Foundational work for transitioning to public transport is in place. It will be a matter of waiting for the right moment by sensitising about the ‘inevitability of the transition’. More acceptable alternative forms of green public transport could be promoted such as NMTs for the many who walk.</p> <ul style="list-style-type: none"> Working in indirect management with Team Europe partners and International Organisations allows the EU to commit funding and to be used to prepare the grounds for the operationalisation of democratically desirable projects when political support is re-established. <p>For NDMA operations and DRM Security management guidelines in place Deepen relationships with influential stakeholders. Deepen integration of EDE/DRM priorities in national & county planning & budgeting frameworks. Strengthen evidence and arguments supporting case for DRM/EDE</p>

	1.b) Political or economic changes such as excessive national indebtedness impede the signing of financing agreements of sovereign loans with LFIs intended under the Action	M	H	<p>-The environmental and socio-economic relevance of the projects intended under the Action will be difficult to politically abandon.</p> <p>-The level of concessionality due to a generous share of grant accompanying the loans, the low interest rates from the LFIs and the EU provisioning of guarantees for sovereign loans by EIB are expected to make the financing package economically and financially attractive.</p>
	2. Intergovernmental friction between the central and devolved governments hampers the operationalisation of slum upgrading, low-cost housing or effective EDE coordination and implementation of response, recovery and preparedness interventions	L	H	<p>For the urban development programmes Establish clear responsibilities, explicit complementarities and synergies between central and devolved authorities' roles in the implementation of the projects.</p> <p>For NDMA operations and DRM Ensure that post-2022 EDE/CPF reflects intergovernmental mode of government Deepen integration of EDE/DRM priorities in county planning & budgeting frameworks</p>
	3. Existence or emergence of competing coordination frameworks reducing effectiveness of coordination.	L	M	NDMA management and stakeholders of relevant coordination frameworks work to ensure alignment between such frameworks e.g. coordination between public agencies such as NaMATA, Kura, KRC, HUD, NT, KenHA, NMS, counties, etc.
	4. Inability to transfer comprehensive knowledge on low-cost housing system to key decision makers	M	M	<ul style="list-style-type: none"> ▪ The project can achieve relative success even if not all elements of expected reforms are implemented ▪ The project builds on a long period of intensive policy work carried out by the World Bank and UN-Habitat.
	5. Inability to achieve population buy-in of new low-cost housing systems and mechanisms	M	M	<ul style="list-style-type: none"> ▪ The project builds on previously evidence-based successful approaches from other countries that require tangible proof of concept for developing acceptance. Prototypes can be easily delivered to demonstrate alternatives and stimulate demand. ▪ Local stakeholders are involved to maximum extent to ensure their local knowledge and long-term economic interests be taken into consideration in the design of the intervention.
Planning, processes & systems	6. Risk of corruption, fraud or malpractice by the public and/or private sectors undermine partners confidence	M	H	<p>For urban development Corruption is inherent to construction everywhere in the world. Adherence to international procurement standards, supervision of works, technical and financial audits and methodologically sound development impact evaluations can significantly reduce the scope of corruption and fraud. Measures to increase transparency and accountability will be put in place.</p> <p>On NDMA/NDEF NDMA Risk Management Framework addresses fiduciary risk</p>

				Adherence to systematic monitoring, reporting & auditing measures Technical assistance on compliance is part of the programme
	7. Inability to adapt local planning systems to the needs of housing projects	M	L	<ul style="list-style-type: none"> The State Department of Housing and Urban Development is the main GoK partner with whom the project will be delivered. The Department is keen on the proposed approaches and is responsible for overseeing the planning regulation and processes.
People & organisation	8. Upcoming NDMA leadership transition creates instability or loss of momentum	L	M	Continuity of key management staff and oversight by NDMA Board of Directors
	9. Continued freeze on government recruitment prevents enhancement of NDMA capacity	H	H	Focus on improving efficiency in the management of existing resources
	10. Implementation may be hindered with insufficient human resources	M	M	<ul style="list-style-type: none"> NaMATA needs an uncompromised high-level of technical expertise that might be recruited, financed and co-managed by a LFI until the public transport system generates enough revenues for GoK to cover such high staffing costs. For the slum regeneration, the resources are already in place under PSUP, KISIP 2 and KenSUMP. For the owner-driven co-production of housing, the resources are to be provided by the local private sector (SMSEs) in an effective commercial value chain, by communities and cooperatives not requiring major grant or public sector financing.
Legal & regulatory	11. Implementation of the project may require legal and regulatory changes in the housing sector	M	M	Lack of regulatory reform will reduce the impact and scalability of the project, but it can still enable significant positive results with existing legislation.
Communication & information	12. Scalability of the project impact will depend on efficient communication	L	M	The institutions involved in the project are experienced in communication.

Lessons Learnt on sustainable, inclusive and resilient urbanisation

- Establishing public transport** in a metropolitan area for the first time requires a collaborative ‘industrial transition’ that ensures the smooth acceptance and support of paratransit actors. At the same time, an MIT meta-study suggests that integrating paratransit actors may also limit the development potential of public transport. This may therefore require offering shares to paratransit stakeholders, but preferably short-term and minority such that they do not take over its governance. The exploitation of public transport infrastructure also requires a strong public transport regulatory authority committed and capable of supervising international standard operator services from the outset to ensure early buy-in from citizens.
- Participatory slum upgrading (PSUP):** local social and economic networks of inhabitants, even the most precarious informal settlements, are invaluable. Yet the damages of resettling slum dwellers far from their original homes, which are invariably irreparable, keep being ignored despite decades of evidence and

advocacy. These damages in contrast to the proven benefits of *in-situ* upgradation have to be reminded to relevant authorities and politicians.

3. **Public participation in slum upgrading** is an invaluable precondition to its success. It usually takes a long time, which projects aiming at implementing upgrades can seldom afford. Capitalising on 10 years of EU-funded PSUP preparatory work by UN-Habitat represents an opportunity for the EU to achieve valuable transformations and to lead by example.
4. **Social, affordable and low-cost housing** cannot be provided solely by formal market mechanisms. In fact, formal market developers have not delivered low-cost housing at scale in any rapidly urbanising context. Solutions at scale require tapping mainly on the huge potential of communities, households and informal private actors in contributing towards co-production with their own resources (human, technical, social, financial, etc...).
5. For the success of social and affordable housing, **anti-speculative mechanisms are necessary** such as availing land banks for social and low-cost housing, ensuring the security of tenure that does not collateralise houses e.g. 'community land trusts' as opposed to free-hold titles; cooperative housing and public rental as opposed to developer-led; etc...
6. **Affordable, social and low-cost housing also offer a viable opportunity to increase the local revenue base that cities inevitably need to deliver public services.** Therefore, instead of providing fiscal rebates to formal developers who do not trickle down savings to end users, it is more effective and efficient for the public sector to co-invest with private actors using land-based financing (e.g. public land used as 'patient equity' that will benefit from land value increases).
7. **Delivering low-cost housing at scale:** owner-driven incremental housing (also known as aided-self-help, people's process, co-production, etc...), based on conditional cash grants and loans to households and communities directly assisted technically to achieving construction milestones, is one of the few approaches delivering low-cost adequate housing in the scale of the dozens of millions in rapidly urbanising middle-income economies for half the cost of the cheapest formal developer housing units. There is therefore large potential in unlocking supply through this approach in Kenya.

Lessons Learnt on rural climate change adaptation and resilience:

1. **Devolution has created both opportunities and challenges for drought risk management and EDE.** County governments are key partners in this action, which seeks to strengthen the effectiveness, reach, and impact of their preparedness and response activities as well as the inter-governmental oversight of EDE.
2. **Effective coordination of drought risk management requires both political and technical leadership.** The process of reforming DRM coordination as outlined under the NDEF regulations, EDE structures and investment planning will pay special attention to the management of political dynamics and competing imperatives across the two levels of government and among development partners.
3. **The integration of drought risk management priorities into planning frameworks is a necessary but not sufficient condition for action.** The focus of this action is on the breadth, depth, and quality of investment in DRM/EDE, and on measures likely to increase the stake of different actors in the drought risk management system.

3.5 The Intervention Logic

On sustainable, inclusive and resilient urbanisation

The phenomenon of rapid urbanisation in Kenya results broadly, from successful economic policies underpinning economic growth (pull factors) and, from reduced employment in the agricultural sector partly due to climate change as well as to mechanisation of the agricultural sector (push factors). Kenya still has a low urbanisation rate, but it grows by 0.5 percentage points per year. With economic liberalisation and reduction of government involvement in key economic sectors, including urban planning, infrastructure development and housing, uncontrolled urbanisation has created large areas of unplanned settlements. This has generated safety, health and environmental hazards, leading to an increased social divide and potential for social unrest.

Uncontrolled urban development also led to urban sprawl. The corresponding lack of efficient mass transport solutions create negative externalities such as pollution, greenhouse gases emission, increased accident rates as well as loss of time in traffic. Lack of efficient and sustainable transport also exacerbates the social divide.

The proposed Action aims at alleviating some key pull and push factors for migration, negative consequences of lack of integrated planning and of social infrastructure. It will focus on operationalising the principle of ‘leave no one behind’ in so far as access to reliable public transport, better human settlements and adequate low-cost housing are concerned. This will be used as an opportunity to improve the corresponding policies.

The underlying theory of change here relies first on the demonstrated benefits of public transport (namely rapid mass transit systems) for the socio-economic and environmental development of metropolitan areas. This requires first the institutional, legal and technical capabilities that have been patiently prepared as foundation for the deployment of green public transport in years to come in NMA. Accordingly, the proposed indicative **Green Public Transport Programme (GPTP)** has been seven years in the making involving EU-funded technical assistance. The proposed Team Europe investment has therefore been conditional to a sector reform that has operationalised the Nairobi Metropolitan Area Transport Authority (NaMATA), to the design of a ‘clean’ (electric) BRT with a sustainable operational and financing model, as well as to the transferring of relevant skills to expand and adapt the system for the growing needs of the agglomeration. Other donors perceive this foundational work as potentially transformative since several have reengaged in the sector and are committing to finance the various BRT lines in Nairobi.

The second pillar of the proposed theory of change concerns the need to improve the inhuman living conditions of people in the bottom of the income pyramid. This requires addressing settlements where people are already established and build on their rich local networks and capabilities as well as on their scarce yet valuable resources to upgrade their built environment. This will be achieved through the **Second Kenya Informal Settlements Improvement Programme (KISIP 2)** and through the **EU-Kenya-UN Partnership Implementing the New Urban Agenda (PINUA)**.

PINUA will focus on upscaling of investments in participatory slum regeneration as well as in new community and owner-driven green construction (or eco-co-production) in peri-urban and rural areas. The latter purpose is to enable viable and sustainable operational models for low-cost green adequate housing with the potential of replication at scale (in the hundreds of thousands of housing units in Kenya). These changes will result in creation of alternative models to the mortgage-centred, formal-developer built and owner-occupied real estate approaches, which are not affordable to most. Some of the following models, which have proven to be affordable and scalable, will be considered: cooperative housing, community land trusts, public rental housing, community and owner-led green co-production, etc. In parallel, consideration will be given to ensure long-term financial sustainability focusing on optimising the use of fiscal incentives and public resources¹¹. Women will be encouraged to take on leadership roles in community mobilisation and Women’s Banks (such as KWFT) will prioritise women as micro-loans recipients. The implementation of these projects will build upon the newest standards of sustainability, with use of low-carbon solutions using best international practice (electric buses for public transport, use of the EDGE green building certification tool for building sustainability, promotion of locally-sourced appropriate materials and construction technologies, bioclimatic design to ensure adaptation to local climate and other conditions).

KISIP 2 builds on KISIP1 integrated approach to informal settlement upgrading, also using participatory approaches. KISIP2 will therefore continue to prepare urban planning documents leading to better structured informal settlements, identification of priority investments, and improvements in tenure security for the residents. The basic infrastructure identified during the planning phase will then be upgraded. Each settlement will select priority investments from a large “infrastructure menu” based on their specific needs. The infrastructure will contribute to improving climate resilience and also produce employment opportunities within the settlements for both skilled and unskilled labour. A gender mainstreaming study and a climate study will be financed by France (AFD grant). The climate study aims at reducing vulnerability to disaster and climate risks in informal settlements. KISIP 2 will also strengthen the policy

¹¹ Ways of reducing fiscal deficits involve favouring land-based financing and ‘land-value sharing’ as opposed to fiscal rebates to developers that do not trickle savings to end users. A way to promote households ability to pay taxes is also useful to favour incremental construction as a way of reducing their over indebtedness characteristic of models based on mortgages. This can be achieved by deploying ‘smart’ subsidies in the form of blended financing for co-production (e.g. cash grant and loans conditioned to construction milestones along with technical assistance to communities and families).

framework for improving informal settlements and build the institutional capacities of public authorities through learning-by-doing methods.

The interventions under PINUA and KISIP 2 will be complementary to other activities implemented by development partners, for example with ASCI (African Sustainable Cities Initiative) implemented by the EIB.

The urbanisation component of this Action overlaps with the TEI on human-centred digitalisation in promoting the integration of construction supply chain providers into digital applications such as IBuild (a kind of Uber for construction in Kenya) and UNOPS' App Sherpa, to facilitate access to and diversify construction offer. Various digital applications will be central to the interoperability of public and paratransit transport systems and well as for the monitoring of impacts. 'Digital public works', which entails training and providing employment opportunities for the youth to collect data in informal settlements for planning purposes, is also intended under KISIP 2.

This Action complements the intended Action on refugees (also under the AAP-2022) in so far as access to low-cost housing and improved slums are often access points to their socio-economic integration when they cannot return to their place of origin. Many communities in slums are former refugees.

On rural climate change adaptation and resilience

The underlying intervention logic for this action is that increasing the volume and quality (scale, effectiveness and relevance) of NDMA's drought preparedness, recovery and response support to communities in drought-prone areas (Specific Objective) will contribute to limiting the impacts of drought and other effects of climate change on communities in ASAL counties and thereby contribute to increased community resilience and community food and nutritional security (Overall Objective). The Specific Objective will be achieved by simultaneously implementing the Action's three interrelated and mutually supportive Outputs (3.1, 3.2 and 3.3), which focus on delivering, scaling and innovation of response, recovery and preparedness investments to communities (3.1 and 3.2), and; strengthening of the core functions performed by NDMA as the primary DRM agency in Kenya (3.3). The main channels for innovation, leverage and scaling are worth highlighting:

- 1) Supporting NDMA to enter innovative partnerships with private sector, counties, NGOs and similar actors for co-financing and implementing drought preparedness, recovery and response interventions (Outputs 3.1 and 3.2) will enable NDMA to leverage on its own preparedness, recovery and response investment and hence contribute to scaling of the benefits received by communities in drought-prone areas. These investments will increasingly be focused on management of natural capital and biodiversity, green growth/climate-relevant economic livelihood improvement (such as agricultural and livestock value chain initiatives) to maximise positive effects for poor communities affected by drought and other effects of climate change. This will include supporting promotion of innovative value chains (e.g. exploiting the invasive *Prosopis Juliflora* species for fuel production), climate-proofed livestock management to limit overgrazing and improve livelihoods, vegetable production for improved nutrition and marketing, and climate -proofing of small-scale water infrastructure interventions. The programme will adopt an integrated landscape management approach promoting biodiversity-water-climate change nexus and for example water pans will be planned to reduce water-based conflicts among wildlife, humans and livestock and promote peace/security. Climate smart agriculture interventions including re-greening will be integrated to allow migration/movement of biodiversity across and between different ecosystems within the landscape of focus. At the same time, the action will enhance the application of Public Private Partnership (PPP) initiatives and therefore support business-led green growth. The corresponding support to mainstreaming of NDMA's participatory Community Managed Drought Risk Reduction (CMDRR) framework for participatory drought intervention planning (Output 3.2) will contribute to increased local ownership to local drought interventions and hence to both effectiveness and relevance of these interventions.
- 2) Effectiveness and efficiency of NDMA services to communities is enhanced through support towards further strengthening of NDMA's institutional capacity to perform its core DRM functions and to attract investment resources (Output 3.3). The Action will specifically target strengthening of a limited number of core NDMA DRM functions. The accuracy and timeliness of the NDMA Drought Early Warning System (DEWS) be improved through support to further strengthening of indicators and automatised/digitalisation, including exploration of opportunities for enhancing the DEWS's forecasting capability through use of big data and algorithms (Output

3.3.a). Under Output 3.3.b, support towards further positioning of NDMA's Knowledge Management (KM) Platform and other KM instruments as the knowledge management platforms of choice for DRM stakeholders, along with deepening of NDMA's support to and oversight of DRM research, will improve the knowledge base for DRM investment decisions, including both infrastructure and biodiversity/natural capital investments. Further strengthening of NDMA's digital Management Information System (MIS) will contribute towards NDEF investment efficiency and transparency. NDMA's capability to effectively advocate for policy initiatives facilitating effective DRM dry-land related climate interventions and resource mobilisation as well as NDMA and EU visibility will be supported through Output 3.3.c, while NDMA's capacity to mobilise financial resources from GoK, county, development partners, civil society and private sector agents through entry of Public-Private Partnerships, Call-for-Proposal and other innovative modalities to scale interventions and impact will be supported under Output 3.3.d. Output 3.3.e will specifically focus on strengthening NDMA's capacity to facilitate strengthen the relevance, effectiveness, efficiency and inclusiveness of EDE/CPF coordination and transition into the second phase of the EDE/CPF based on the recommendations of the ongoing EDE Mid-term Review (MTR). Finally, under Output 3.3.f, technical assistance will be provided to NDMA to support implementation of project interventions and compliance with EU/GoK regulations, therefore ensuring the good reputation of NDMA actions can be maintained. Building on the experiences and achievements of previous EU support to DRM in Kenya since 2007 and to NDMA since the Authority's establishment with EU support in 2012, this action will emphasise building of NDMA's institutional and financial sustainability and ability to mobilise resources to deliver DRM investments at scale. This may include potential bonds (e.g CAT) backed by the EFSD+. As an integral element of this sustainability focus, the implementation of the Action will emphasise establishment of sound 'exit strategies', which will enable NDMA to 'graduate' from the long-term EU support provided to the Authority.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention.

On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results	Indicators (@)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Overall Objective	To promote greener, more inclusive and resilient urbanisation and rural development in Kenya.	OO.a) GEF 2.7 Greenhouse Gas (GHG) emissions avoided (tonnes of CO ₂ eq) with EU support. OO.b) EU contribution towards improving the national Gini Coefficient and Palma Ratio. OO.c) % change in coping strategy index in drought-prone rural areas as a result of the EU-funded support.	-0 in 2022 -0 in 2022 -0 in 2022	-TBD in 2027 -TBD in 2027 -TBD in 2026	-Project implementation reports and evaluations -National Bureau of statistics.	-Sufficiently relevant high-level estimations can be undertaken based on the evaluation of the Actions' results.
Specific Objectives (Outcomes)	1. Make urban mobility more accessible and environmentally, socially, and economically sustainable.	1.a) Average N° of commuters (disaggregated by sex, vulnerability status and income) using a green public transport system daily in Nairobi. 1.b) Level of public transport vehicular emissions relative to distance travelled in Nairobi (EU RF 1.23)	-0 in 2022 -TBD in 2022	-150 000 in 2027 -TBD in 2027	-Public transport regulation authority (e.g. NaMATA) operations data. -Survey measuring increased access of persons with disabilities.	-GoK remains committed to investing and transitioning towards public transport and to Climate Change mitigation
	2. Deliver participatory slum upgrading, land services, and low-cost green adequate incremental housing solutions replicable at scale by low-income households.	2.a) (MIP indicator 2.3.a and SDG 11) N° of people (disaggregated by sex, vulnerability status, age and origin) living under the poverty threshold who consider having significantly better living conditions by slum upgrading or low-cost adequate green housing.	-0 in 2022	-20 000 in 2026	-Programme evaluations (baseline, mid-term, final)	-GoK remains committed to improving slums and to promote low-cost green housing
	3. Enhance resilience to drought and other effects of climate change of communities in arid and semi-arid lands.	3.a) Number of people / communities benefiting from increased resilience to various types of risks and shocks, including climate-related ones, as a result of EU-support, disaggregated by sex (MIP 1.1.1b)	-TBD in 2022	-TBD in 2026	-NDMA -Project reports -M&E reports	-NDMA remains ready to pilot innovative approaches

Outputs 1 (related to Outcome 1)	1.1 An operationalised public transport system that incrementally and cooperatively integrates paratransit.	1.1.a) GEF 2.18 Total length of transport infrastructure supported by the EU (km): a) roads 1.1.b) (covers MIP indicator 2.3.b) Evolution of N° and share of public transport users along corridor (disaggregated by sex, vulnerability status and income). 1.1.c) Evolution public and paratransit fleet.	-0 in 2022 -0 people in 2022 -0 public TBD paratransit in 2022	-12.2 km in 2027 -TBD in 2027 -TBD in 2027	-Census 2019 -MoTIHUD&PW -NaMATA -KURA -Ministry of Finance, -Ministry of Energy & Petroleum -National Climate Change Response Strategy (NCCRS) -National Climate Change Action Plan (NCCAP) -NTSA -NEMA, -Energy balances -GHG inventory -Air pollutants inventory? -National Bureau of Statistics -National Adaptation Plan (NAP) -M&E Reports -Project-led surveys -Project reports -Technical audits -Escrow Account audits -Operator records	-No abnormally lengthy procedures for permissions delay the works. -Matatu industry continues to be supportive of public transport in so far as they see themselves as partners. -The resettlement plan and environmental safeguards are implemented according to the Environmental and Social Impact Assessment -Clean BRT project continues to be prioritised beyond Vision 2030 – MTP III -NaMATA and counterparts are capable and skilled to follow-up and provide sufficient inputs -Counterparts' personnel are available for training. -Management personnel available for business plan and planning of further phases.
	1.2 Public transport is supported by users, citizens and institutions as the most sustainable urban mobility solution.	1.2.a) -Reduction in fuel imports for urban mobility. 1.2.b) -Reduced GHG emissions (direct) 1.2.c) Travel time savings per commute per mode of transport 1.2.c) -Passengers per day directly benefiting from safe quality public transport service (disaggregated by sex, age, disability, and income). 1.2.d) Prevented diseconomies of scale caused by traffic congestion. 1.2.e) % of NMA citizens who support public transport as most sustainable urban mobility solution 1.2.f) TBD indicator on air quality	-0 litres in 2022 -0 tCO ₂ e in 2022 -0 in 2022 -0 in 2022 -TBD in 2022 -TBD in 2022 -TBD in 2022	-TBD in 2027 -15,830 tCO ₂ e by 2026 and 79 150 tCO ₂ e in 10 years. -400 000 in 2027 -TBD in 2027 -TBD in 2027 -TBD in 2027 -TBD in 2027		
	1.3 Strengthened GoK capabilities in replicating and expanding sustainable public transport systems.	1.3.a) -Projects sanctioned or implemented expanding public transport and other MRT and NMT components building on standards set out by this Action such as clean vehicles and RAPs.	1.3.a) 0 in 2022	1.3.a) 5 Clean BRT lines, and 50 km of paths for NMT by 2027		
Outputs 2 (related to Outcome 2)	2.1 Contributed to scaling up GoK's operations implementing participatory slum upgrading and informal settlement improvements	2.1.a) N° of people living in precarious conditions who consider their quality of life having significantly improved from participatory slum upgradation or informal settlement improvements supported by the EU-funded intervention (disaggregated by sex, age, disability status, and income). 2.1.b) (MIP Expected result 2.1b): Increased opportunities for women, youth and other vulnerable groups to access the labour market and sustainable livelihoods.	-0 in 2022 -0 in 2022	-6000 indirectly and 3500 directly in 2027 -TBD (2027)	-Census 2019 and following one -MoTIHUD&PW -State Department of Housing and Urban Development -National Bureau of Statistics -UN-Habitat -WB reports -M&E Reports -Project-led surveys -Evaluations (baseline, mid-term, final) -Project reports -Technical audits -Pre- and post-training test reports.	-PSUP produced plans are still supported by the communities concerned or their amendments can be undertaken in a participatory manner. -GoK remains open to also support non-formal sector small actors in construction to deliver greener and to scale.
	2.2 Created sustainable organisational and financing models supplying suitable land and low-cost green and adequate incremental housing co-production.	2.2.a) N° of model low-cost green adequate houses co-produced with low-income households or communities of min 55 m ² with two bedrooms, kitchen, living room and latrine for less than EUR 10 000 excluding land costs. 2.2.b) N° of people who could not afford adequate housing living in a new low-cost green adequate house holding a manageable level of corresponding financial debt. 2.2.c) Output volume (in m3) of newly produced locally-sourced appropriate construction materials. 2.2.d) (MIP Expected result 2.3a): Improved human development of poorest households through increased access to affordable, social, green housing and to social services.	-0 in 2022 -0 in 2022 -0m3 in 2022 -0 in 2022	-20 by 2024 500 by 2027 -80 000 in 2027 -TBD in 2027 -TBD in 2027		-Counterparts' personnel are available for training and coaching.

	2.3 Improved capabilities, policies and data resources of GoK and other relevant stakeholders and organisations to better plan, invest in, and manage urbanisation with a particular focus on low-cost green housing.	2.3.a) N° of professionals making practical use of sustainable urbanisation capabilities acquired under the Action. 2.3.b) N° of housing projects and units reported into an open access data platform using harmonised definitions and standards. 2.3.c) N° of young and mid-career professionals (with an emphasis on women) employed and mentored on sustainable urbanisation and contributing to the Action.	-0 in 2022 -0 in 2022 -0 in 2022	-100 in 2027 -24 000 loans per year in 2024 36 000 by 2026 -20 by 2024		
Outputs 3 (related to Outcome 3)	3.1 Increased scale, effectiveness and relevance of preparedness, recovery and response support received by drought-affected communities in semi-arid and arid counties	3.1.a) % reduction in livestock asset losses compared with previous drought episode 3.1.b) % reduction in malnutrition levels during drought 3.1.c) % change of terms of trade during drought 3.1.d) % change in coping strategy index 3.1.e) Number of women of reproductive age, adolescent girls and children under 5 reached by nutrition related interventions supported by the EU (EURF 27, MIP 1.1.b2.)	-TBD in 2022 -GAM % in 2022 -TBD in 2022 -TBD in 2022 -TBD in 2022	-TBD -GAM % -TBD -TBD -TBD	-NDMA -Census 2019 -National Bureau of Statistics -Project reports -M&E Reports	-Continued support and investment from GoK, development partners and other stakeholders to DRM and FNS -Local conflicts over scarce resources mitigated -NDEF operationalised and funded -Role of private sector and other non-state actors recognised -Community role in DRM recognised and supported -NDMA has sufficient trained staff to perform core functions at HQ and county levels. -2021 NDMA operational budget from GoK maintained
	3.2 Leveraged drought response, recovery and preparedness through innovative partnerships.	3.2.a) N° of innovative delivery/funding partnership modalities piloted with EU support. 3.2.b) N° of innovative response, recovery and preparedness interventions piloted 3.2.c) % value leveraged from individual types of investment partners over NDMA investment	-TBD in 2022 -TBD in 2022 -TBD in 2022	-TBD -TBD -TBD		
	3.3 Strengthen NDMA's capacity to perform its core DRM mandate and to attract investment.	3.3.a) DEWS accuracy 3.3.b) DEWS alert timeliness 3.3.c) N° of annual visits to NDMA KM Platform	-TBD in 2022 -TBD in 2022 -TBD in 2022	-TBD -TBD -TBD		

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement part of this Action, it is not envisaged to conclude a financing agreement with the partner country.

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is **84 months** from the date of the adoption by the Commission of this Financing Decision.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements.

4.3 Implementation of the Budget Support Component

N/A

4.4 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures¹².

4.4.1 Direct Management (Grants)

Grants: (direct management)

(a) Purpose of the grant(s)

The grant is intended to implement Specific Objective 3 to 'Enhance resilience to drought and other effects of climate change of communities in arid and semi-arid lands'. Financial resources are earmarked to leverage innovative drought response and preparedness investments, to strengthen NDMA's core drought risk management functions and resource mobilisation capacity as well as to reform EDE/CPF.

The grant will support delivery of timely and cost-effective drought response interventions through NDEF, pilot innovative modalities for funding and deliver relevant and sustainable resilience building interventions, and mainstream the CMDRR regime through partnerships with counties and local organisations.

The capacity support will strengthen DEWS forecasting, accuracy and timeliness; NDMA knowledge management, research oversight, policy advocacy and visibility; NDMA resource mobilisation and partnership capacity; and NDMA ability to spearhead strengthening of EDE coordination structures and tools. The operational capacities of the NDMA will be enhanced through a long-term Technical Assistance arrangement including institutional and compliance support as well as a pool of short-term consultants.

¹² www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

The grant is also earmarked to support NDMA for the overall management of the programme, coordination, monitoring and evaluation. It will strengthen the alignment, coordination and quality of EDE resilience building interventions as well as the M&E framework.

The activities involved relate to the EUR 18 000 000 indicative total budget (grant + GoK contribution).

(b) Type of applicants targeted

The drought management system in Kenya is institutionalised in the NDMA, whose mandate is the leadership and coordination of all matters relating to drought management. The NDMA has also led the design of the National Drought Contingency Funds and the development of the EDE strategy and the correlated 6 Pillars of the Common Programming Framework. The NDMA is an agency under the State Department ASALs, which itself is within the Ministry of Public Service, Gender, Senior Citizens Affairs & Special Programmes.

(c) Justification of a direct grant

Under the responsibility of the Commission's responsible authorising officer, the grant may be awarded without a call for proposals to the NDMA, as this body is with a :

- *de jure* monopoly (Financial Regulation (FR) Article 195 c) as lead institution in government for EDE leadership and coordination and given its mandate and capacities to manage the drought system in Kenya's ASALs.

4.4.2 Direct Management (Prize(s))

N/A

4.4.3 Direct Management (Procurement)

N/A

4.4.4 Indirect Management with a pillar-assessed entity

A part of this Action may be implemented in indirect management with the EU Team Europe partners Germany (**GIZ**) and with the multilateral organisation of **UN-Habitat** (in partnership with UNOPS, WB (DIME group) and other implementing partners).

This implementation entails the urbanisation interventions (specific objectives 1 and 2).

The envisaged entities have been selected using the following criteria:

- **For the GPTP** (Specific Objective 1, output 1.3): the EU sought to delegate funds to an organisation with distinct competencies in the operationalisation of electric mobility in Kenya and capable to monitor and measure the climate mitigation impact of green public transport. Ideally, the entity could contribute additional resources to both the GPTP and to electric mobility;
- **For the PINUA** (Specific Objective 2, outputs 2.1, 2.2 and 2.3): the EU sought three things in the organisation i) distinctively positioned to implement participatory slum improvements; ii) an agency capable of coordinating the most proficient actors in the fields of urban development, housing and slum upgrading and iii) with experience on global best practices to capitalise on for implementation, upscaling and building capacity on slum upgrading and low-cost housing.
- **For all urbanisation-related interventions** (specific objectives 1 and 2): to an organisation leading in building capacity on development impact assessments of development programmes.

If negotiations with Germany (GIZ), UN-Habitat and/or WB fail, the corresponding parts of this Action may be implemented in indirect management with other Team Europe partners, international or multilateral organisations. The implementation by these alternative entities would be justified because of the following criteria: a comparatively high-level expertise in urban development and in particular in electric mobility for GPTP, on slum upgrading and housing for PINUA, and another one on development impact assessment capacity building for both. Further, to the extent possible, the entity should be in a position to add value both technically and to contribute with grant funding. Having prior experience as donor, financier or implementing partner of GoK in relevant programmes, would be an advantage.

In case the envisaged entity above would need to be replaced, the Commission's services may select another replacement entity using the same criteria. If the entity is replaced, the decision to replace it needs to be justified¹³

Exception to the non-retroactivity of costs

The Commission authorises that the costs incurred may be recognised as eligible as of March 1st 2022 because most of the interventions foreseen in this Action have been in the making for years (e.g. the EU has been funding the preparation of green public transport in the form of a BRT since 2014, preparing participatory slum upgrading interventions under PSUP since 2012, and the KISIP 2 programme will commence implementation in Q1 2022. The option for retroactive eligibility of costs will allow our implementing partners to undertake tasks that ensure continuity of preparatory work while the European Commission takes the Financing Decision).

4.4.5 Indirect Management with the Partner Country

N/A

4.4.6 Contribution to a the Africa Investment Platform

This contribution may be implemented under indirect management with the entities, called Lead Finance Institutions identified in the appendix 2 to this Action Document. The selection of the relevant LFIs will be based on their contribution towards the EU Kenya TEI on Green Deal, specifically concerning specific objectives 1 (green public transport) and 2 (slum upgrading, informal settlement improvement and low-cost housing) in this Action Document. The selected LFIs would be expected to commit to providing loans, to use the EU funding as genuine leverage for mobilising larger investments, to ensure EU added value and to proactively involve the EU Delegation in the interventions and associated policy dialogue. Eligible LFIs are bound by principles of sustainable finance.

4.4.7 EFSD+ operations covered by budgetary guarantees

Not foreseen directly under this Action Document. However, it is expected that the Action facilitates the preparation of applications to on-going EFSD and future EFSD+ windows that could complement or even expand the intended results. These may involve from more macro tools such as 'green bonds', to guarantees for micro and small entrepreneurs in slums or involved in green construction services, and guarantees for microfinance for household and community-led construction of low-cost housing.

4.4.8 Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)

Direct management is included here as an alternative to indirect management as specified under section 4.4.4 where the latter cannot be implemented due to circumstances outside of the Commission's control. In this case, the EU Delegation may proceed to the procurement of works, services or supplies to achieve any of the specific objectives of the Action.

4.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply subject to the following provisions.

The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated

¹³ It is reminded that, during the implementation of the action, in case it is decided to select another entity, the same criteria may be used for justifying such selection, without going through a substantial modification of the Financing Decision. Consequently, beyond the justifications provided for selecting a given entity, it is important to define clear selection criteria.

cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.6 Indicative Budget

Indicative Budget components	EU contribution (amount in EUR)	Third-party contribution (amount in EUR)
Implementation modalities – cf. section 4.4		
Specific Objective 1 Green Public Transport (GPTP) composed of:	44 000 000	256 000 000
Indirect management with Lead Finance Institutions (via the AIP) (for outputs 1.1, 1.2 and 1.3) – cf. section 4.4.6	42 000 000	250 000 000
Indirect management with Germany (GIZ) (for output 1.3) – cf. section 4.4.4	2 000 000	6 000 000
Specific Objective 2 (PINUA and KISIP 2) composed of:	13 000 000	318 250 000
Indirect management with International Organisation (for outputs 2.1, 2.2 and 2.3) – cf. section 4.4.4	8 000 000	137 500 000
Indirect management with Lead Finance Institutions (via the AIP) (for outputs 2.2 and 2.3) – cf. section 4.4.6	5 000 000	180 750 000
Specific Objective 3 drought (DCADR) composed of:	13 000 000	5 000 000
Grants (direct management) (for outputs 3.1, 3.2 and 3.3) – cf. section 4.4.1	13 000 000	5 000 000
Grants – (total envelope under section 4.4.1)	13 000 000	N.A.
Procurement – (total envelope under section 4.4.3)	N.A.	N.A.
Evaluation – (cf. section 5.2) Audit – (cf. section 5.3)	1 000 000	N.A.
Totals	71 000 000	579 250 000

4.7 Organisational Set-up and Responsibilities

Given the scale and specific nature of the different intended interventions under this Action, there will be at least three independent steering committees corresponding to each of the three Specific Objectives.

The EU Delegation has been on the lead in coordinating the structuring of the partnerships to implement these interventions and will hence remain in a central role. However, the Delegation expects that, gradually, the Lead Financing Institutions (LFIs) and other implementing partners become more autonomous on the operational aspects of the interventions allowing the EU-Delegation to shift focus towards policy dialogue with GoK. In the case of the National Drought Management Authority, the coordination and oversight is handled through existing mechanisms namely the ASAL Donor Group and the EDE coordination structures. The European Union Delegation to Kenya will continue to chair the Team Europe on Green Deal and will hence play an overarching coordinating role for the Actions.

The EU Delegation will be proactive in ensuring the meaningful participation of key stakeholders, including rights holders such as youth, women organisations and organisations representing those living in the most vulnerable and marginalised situations as well as allowing participation of persons with disabilities.

The Steering Committee should meet at least every six months. The work of the Steering Committees shall include, but not limited to, the following agenda items:

- review of the work plans
- monitoring of the risk factors
- ensuring that implemented activities have a direct positive impact towards achieving the Action's objectives
- ensure synergies be built and aligned with other development partners and /or programmes
- ensure the Action is in line with priorities established by the GoK and that it contributes to the intended objectives.

The work of the WB through DIME should help all parties better monitor and evaluate progress (in view of attaining development impact) and should therefore be useful for steering the interventions.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action.

4.8 Pre-conditions [Only for project modality]

N/A

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partners shall establish a permanent internal, technical and financial monitoring system for the action, foresee various socioeconomic and environmental surveys and elaborate regular progress reports (not less than annual) and a final report. Additional specific reporting can be contractually envisaged. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the log-frame matrix (for project modality) and the partner's strategy, policy or reform action plan list (for budget support). Where relevant, indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the Action is taking into account the human rights-based approach and gender equality.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

While the implementing partners are ultimately responsible for data collection, analysis and monitoring, the EU Delegation, in its leadership role in coordinating the TEI, will ensure that the implementing partners regularly report to the Green Deal TEI Steering Committee. Further, in line with recommendations from DG INTPA, the EU Delegation, the European Commission and the WB's programme DIME, will seek to assist all parties in better defining, updating and measuring relevant data for achieving better outcomes in both implementation and policy. More information on the nature of DIME can be found from <https://www.worldbank.org/en/research/dime>.

5.2 Evaluation

Having regard to the importance and nature of the Action, a mid-term, final and *ex-post* evaluations will be carried out for this Action or its components via independent consultants contracted by the Commission or by pillar-assed partners subject to the reassurance that independent consultants seek at evaluating development impacts and not only transactions or merely outputs.

The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to better identifying the EU's comparative advantage on sustainable urbanisation and rural climate resilience in Kenya and informing accordingly how to improve projects under implementation and future EU strategies in this domain. The mid-term evaluation could be instrumental for the mid-term review of the Multiannual Indicative Programme (MIP) 2021-2027 particularly in so far as the Green Deal TEI is concerned and the formulation of PINUA 2 is not done already.

This evaluation will have to build on relevant baseline data to be obtained either through the WB DIME component or baseline study missions by the same evaluators or through other preliminary preparatory studies consistent with development impact evaluation methodologies.

These baselines and studies should contribute towards addressing considerations of gender and human rights such that, all evaluations assess the extent to which the Action is taking into account the human rights-based approach as well as how it contributes to gender equality and women's empowerment. Expertise on human rights and gender equality will be ensured in the evaluation teams.

A significant share of the grant allocation for the evaluation budget line may be used for indirect management with WB DIME in view to build the capabilities of both Team Europe partners and GoK in undertaking development impact evaluations. Unless otherwise agreed with the Team Europe partners, this may *not* imply the WB DIME actually evaluating Team Europe partners work. Rather DIME will assist the implementing partners and evaluators on the preparation of the foundation for independent evaluations to be undertaken in terms of evidence-based methodology, better data collection, strategic measurements, adapted tools such as digital apps, etc....

The final and *ex-post* evaluations where relevant will be carried out for accountability and learning purposes at various levels (including an emphasis on development impact and potential for policy revision), taking into account in particular the fact that sustainable urbanisation is a vast area of intervention with enormous potential for Team Europe investments and that climate risks for rural populations will likely increase in decades to come.

Since this is a TEI, evaluations will be undertaken in collaboration with contributing Member States and ELFI to provide an overview of the action within the larger impact of the TEI.

The Commission shall inform the implementing partner(s) at least three months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports may be shared with the partners and other key stakeholders following the best practice of evaluation dissemination¹⁴. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, apply the necessary adjustments.

Evaluation services, namely mid-term including potential baseline missions, may be contracted under the allocations of this Action through a framework contract or another contracting modality allowing for longer implementation periods. In case the final or *ex-post* evaluations cannot be covered by the implementation duration of the evaluation contract, the financing of the evaluation may be covered by another measure constituting a Financing Decision.

¹⁴ See best [practice of evaluation dissemination](#)

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multi-annual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.

▪ Appendix 1 REPORTING IN OPSYS

The present Action identifies as:

Contract level		
<input type="checkbox"/>	Group of Contracts 1	Indicatively: GPTP Contribution agreement with EIB (EUR 30 000 000) - blending for building Clean BRT line 3 infrastructure and project implementation consultant. Indicatively: GPTP Contribution Agreement with France (AFD) (EUR 12 000 000) - blending for building Clean BRT line 3 infrastructure and capacity building of NaMATA. Indicatively: GPTP Contribution Agreement with Germany (GIZ) (EUR 2 000 000) to build capacity on operationalising electric buses for the Clean BRT and for the national framework conditions for the mainstreaming of e-mobility.
<input type="checkbox"/>	Single Contract 1	-Indicatively: PINUA Contribution Agreement with UN-Habitat (EUR 8 000 000) as coordinator of a team of implementing partners to build PSUP plans and low-cost incremental green housing.
	Single Contract 2	-Indicatively: KISIP-2 Contribution Agreement with France (AFD) (EUR 5 000 000)
	Single Contract 3	-Indicatively: DCADR grant with NDMA (EUR 13 000 000)
	Single Contract 4	-Indicatively: Administration Agreement with WB (DIME) (EUR 800 000) to build capacity, train, transfer knowledge, and undertake research on development impact evaluations. (note that if this contract goes through and the EU implementing partners adopt development impact evaluation methodologies, it may not be necessary for the EU Delegation to manage independent evaluations).
<input type="checkbox"/>	Single Contracts 5	- Evaluation with independent consultant on sustainable and inclusive urbanisation (EUR 200 000) likely focus on PINUA and KISIP.