I. Project Context

Country Context

1. Kenya has recorded a comparatively higher economic growth after two decades of low growth. In 2010, the Kenyan economy grew by 5.7 percent arising mainly from a recovery in agriculture and industrial output and a relatively balanced growth across all the sectors. Growth prospects have improved. Inflation declined to below five percent in 2010 and investor confidence grew rapidly contributing to the doubling of the level of activity at the Nairobi Stock Exchange. However, recent rise in inflation averaging 14 percent in 2011 compared to 3.9 percent in 2010, and the impact of the drought slowed this growth to 4.3 percent in 2011.

2. The total population of Kenya has increased rapidly over the last 30 years and is continuing to urbanize. The population was 15 million in 1979 and increased to 38 million in 2009, with an average annual growth rate of 2.5 percent in the recent past. The population is now 32 percent urban up from 15 percent in 1979, and it is projected to reach 19.1 million or 37 percent in 2020 and 29.8 million or 47 percent in 2030. Similarly, the population of the city of Nairobi was 828,000 in 1979 and now stands at over 3 million or 25 percent of the urban population and is projected to reach 5.2 million in 2020. The high population growth experienced in urban centers is due to several economic and social factors. The number of urban dwellers increased in search of employment and schooling opportunities as market forces attracted labor to the urban areas from rural areas where the returns to labor are considered relatively lower. The higher standard of living and relative better access to basic public services in urban areas compared to rural areas has worked as a catalyst for urban migration. This has placed a tremendous strain on urban services, including transport, ultimately affecting both economic productivity and citizens’ quality of life. In parallel, the transport sector is rife with externalities such as traffic accidents, noise and pollution associated with fuel emissions.

3. Vision 2030, the long term development strategy, aims at transforming Kenya into a middle income country. Under its economic pillar, gross domestic product (GDP) is expected to grow at 10 percent per annum. This calls for the removal of bottlenecks for growth through reforms necessary to unlocking existing potential and productivity, promotion of competitiveness, and improved access to infrastructure services, all necessary to transform Kenya from a low to a middle-income country by 2030. The urban areas, as the engines of economic growth, will therefore play a critical role in the realization of this vision. The World Bank’s Country Partnership Strategy (CPS), its 2008-09 Multi-Donor Infrastructure Diagnostic for Kenya, and its 2006 Poverty Assessment, all support this agenda, showing that improved infrastructure is associated with the movement out of poverty.

4. Significant growth in GDP is attributed to economic activities in Kenya’s urban areas. About 75 percent of GDP can be attributed to the economic activities in the urban areas, mainly the growth of manufacturing and service sectors. Poverty in urban areas has, on the other hand, increased with mushrooming of informal settlements in major towns. Hence, establishing a medium to long-term vision on the role of urban areas in supporting Kenya’s effort to develop to a middle income country will inevitably become a policy priority.

5. Much of the Government of Kenya’s (GoK) efforts for economic development are focused on “growth poles” such as Nairobi, Kisumu, Mombasa, Eldoret and Nakuru - the largest urban centers with the highest industrial activity. They are all located along the northern corridor, Kenya’s most important transport route, and a crucial artery for its land-locked neighbors. Most of the northern corridor road has either been recently improved or improvement is underway. This corridor forms part of the main arteries in major towns. The main challenge is that the sections of this corridor adjoining major towns and often passing through them are heavily congested and require capacity expansion. For instance, in Nairobi, GoK responded to this challenge by offering a section of the corridor to the private sector for expansion and tolling through a concession, under the defunct Nairobi Urban Toll Road Project (NUTRP) which was to be supported by the World Bank Group. However, this offer attracted limited interest from the private sector and the concessioning process took inordinate time, about eight years, during which period circumstances had changed significantly both at the project and country level leading the GoK to cancel the process. The congestion in the northern corridor through Nairobi remains one of the major bottlenecks on the flow of traffic to the Central Business District (CBD), Jomo Kenyatta International Airport (JKIA) and transit to the neighboring countries.
II. Sectoral and Institutional Context

6. Transport in Kenya as in other countries performs two key roles: (a) it connects Kenya to the world economy; and (b) it links people to economic and social activities within Kenya. Kenya can only compete effectively, if its international gateways and associated infrastructure are of international standards. The quality of Kenya’s transport infrastructure and services has been improving over the last five years, after many years of neglect. Its continued improvement and enhancement of policy reforms should be a priority. Reversal of the policy reforms, existing policies and approaches can only lead to failure of the sector, as the basic institutional structure is undergoing major transformation. New approaches, including utilizing the private sector much more extensively and much more effectively are needed.

7. Major policy and institutional reforms have been implemented, though not as much with respect to the urban transport subsector. These include: (a) the creation of three new autonomous road authorities by clarifying the ownership of national, rural and urban roads; (b) separating policy formulation from execution of programs; (c) creation of oversight and regulatory capability; (d) provision of greater transparency and accountability in the use of designated resources such as the over US$300 million generated annually from a fuel levy for road maintenance, enactment of new policies (e.g. development of a roads policy that was not existing); (e) the enhancement and management of the fuel levy funds for road maintenance without interruption and across all parts of the country; and (f) the development and adoption of a 15-year road sector investment plan (RSIP), among many others. In recognition of the importance of the provision of quality infrastructure to support economic growth prospects, the GoK in its RSIP 2010 – 2024 has allocated significant resources toward improvement of transport infrastructure. For instance, transport sector budgetary allocation as a share of total Government expenditure increased from 9.5 percent in FY2004 to 14 percent in FY2010.

8. Though GoK is implementing a number of reforms across the transport sector including in roads, aviation, railways, and maritime, with the support of the Bank, in an effort to improve sector performance, the urban transport has lagged behind the other sub sectors. Urban areas now face institutional challenges, insufficient staff capacity, and an inadequate framework for transport policy and planning, lack of transport corridor management, and inadequate operations and maintenance budgets. This has contributed to the inadequate attention paid to urban transport issues including the existing complex and weak institutional oversight and regulatory capacity, and inadequate investments in urban transport infrastructure and services in Kenya’s major towns for over two decades.

9. Accordingly, the basic urban network, for instance, is still the one designed in the 1970s. The railway network is skeletal and offers negligible public transport services. The urban road network, excluding those sections of national highways which traverse urban areas, is about 12,549 km or eight percent of the total road network which supports 32 percent of the total population and the generation of 75 percent of GDP in the country. The result is massive congestion, soon expected to cause a complete gridlock given the anticipated traffic growth. For instance, in Nairobi, the road network which was designed for less than one million inhabitants is now unable to handle three times more inhabitants per the current population.

10. Decongestion of the main artery (northern corridor) that passes through the middle of Nairobi and the development of new infrastructure surrounding the city is critically paramount. The 2006 Japan International Cooperation Agency (JICA)-financed Nairobi master plan study estimates the cost of sub-performance of intersections at KES. 22.59 billion annually (2006 prices).

11. The yet to be adopted draft Integrated National Transport Policy (INTP) which has been approved by Cabinet and sent to Parliament for discussion and endorsement, supports reformation of the urban transport by among others: (a) setting up of the National Transport and Safety Authority (RSA) and support for the National Road Safety Program; (b) setting up of Nairobi Metropolitan Transport Authority (NMTA); and (c) establishing the legal and regulatory framework for railways. Both the proposed National Urban Transport Improvement Project (NUTRIP) and Nairobi Metropolitan Services Improvement Project (NaMSIP) will support the implementation of these efforts.

12. This current set up is likely to evolve in the short to medium term as the new constitution and also the agreed reforms are implemented, thereby affecting the institutional and implementation arrangements of NUTRIP. Modifications may be required synchronously to respond to these changes as they ensue. It should be emphasized that in spite of these challenges, urgent action is needed now given the highly congested situation in Nairobi and other towns and therefore acceptable flexibility for adjustments will be made during implementation.

13. The new constitution and the draft INTP provide the long term vision on the likely governance structure in the urban transport subsector. Even though the INT can be seen as contributing to the establishment of even more entities, including the RSA and the NMTA that will be supported by NUTRIP, the existence of these new institutions will improve the governance structure in urban transport. For instance the proposed NMTA, in the case of Nairobi, is to place all the public transport issues such as licensing, regulating public transport and traffic management, under one agency while all national road safety matters will be under the proposed RSA. Meanwhile, the new constitution recognizes two categories of roads, national and county, which calls for further changes in governance structures based on a devolved rather than a centralized system of government (as was the case under the old constitution) implying a further realignment of the mandates of KeNHA, KeRRA and KURA as most of the urban and rural roads could fall under the category of county roads.

14. The constitution does not specify the requisite organizational structures for government institutions and agencies and there is likely to be some consolidation of ministries at a national level and devolution of some powers and responsibilities to the lower county and municipal governments. The NUTRIP recognizes these uncertainties and will make provisions for possible restructuring at or before the Mid Term Review (MTR) to adjust the implementation arrangements accordingly when the need arises. In readiness for the implementation of the new constitution and the looming changes, the GoK has responded by establishing an inter-ministerial committee for the transport sector, to review and recommend a governance structure consistent with the new constitution, and also to harmonize and rationalize the current institutional arrangements and functions, taking into account the recommendations of the draft INTP and the roads policy, and other relevant policy documents. The committee has started work, facilitated under the Bank-financed Kenya Transport Sector Support Project (KTSSP). Even if changes are recommended, the transition is likely to take three to four years before capacity is built in the counties and new institutions take over their responsibilities. Having recognized this risk, the project allows for any restructuring that may be needed during implementation.

15. Urban entities face institutional weaknesses, insufficient staff capacity, inadequate framework for transport policy and planning, lack of transport corridor management, and inadequate operations and maintenance budgets. Yet, mobility and accessibility provided through efficient and affordable urban transport is regarded as a catalyst for higher productivity, greater access to economic opportunities, and social inclusion. Across urban transport modes in low and medium income countries, public transport plays a pivotal role to enhance city efficiency and hence the provision of public transport infrastructure becomes critical.
16. The road transport industry in Kenya includes large companies and individual owner-operators; it is competitive and rates are determined by the market forces. The industry responds quickly to changes in demand, road conditions and regulations. However, private bus and Matatus (mini-buses) operators numbering over 16,000 in Nairobi have enjoyed significant power and minimal regulation to date, to the extent that at present there is less discipline and regard for safety and the environment. While the intention is not to over-regulate the public transport sector, there will be an urgent need by NMTA to bring more discipline and enforcement of safety and environmental regulations for Matatu operations, thereby creating resistance to this change. Similarly, the City Council of Nairobi (CCN) which currently manages traffic and parking in the city, stands to lose that authority once this responsibility is transferred to NMTA, and may resist such changes. Resistance to change could slow down the pace of transformation.

17. The ineffective institutional structures and weak legal and regulatory framework have impacted negatively on quality and reliability and on safety to the users, particularly in urban areas. In addition to poor public transport services, the inter-modal linkages and connectivity are minimal, if any at all. The highly unregulated matatu (mini-buses) service is the backbone of the public mass transport system. Studies indicate that matatus carry about 33 percent of urban commuter traffic. In Nairobi metropolitan, it is estimated that public buses carry about 350,000 - 400,000 passengers per day.

18. Commuter rail is providing some peak-hour passenger services since 1992, carrying about one percent of passenger traffic. However, the rail system is rapidly deteriorating due to inadequate funding, unclear management structures and poorly defined service provision expectations (especially passenger services), resulting in serious infrastructure maintenance backlogs and overage and worn-out rolling stock. Development of a comprehensive and coherent urban transport system is therefore required including a good inter-agency coordination. The proposed NUTRIP and Nairobi Metropolitan Services Improvement Project (NaMSIP) financed by World Bank seek to address some of these issues.

19. The Ministry of Transport (MoT) is building support for NMTA through consultations, such that the Cabinet has approved the INTP, which calls for the creation of NMTA and RSA, introduction of high capacity buses (phasing-out matatus), among others. The proposed BRT sub-component under NUTRIP will include adequate measures to involve the matatu owners in participating through franchises to run larger buses on BRT routes and focusing mini-buses on feeder routes, learning from the experience of similar efforts in Dar-es-salaam, Tanzania; South Africa, Nigeria among other African countries. The GoK has plans to reform further the railway sub sector, particularly with regard to the establishment of a clear regulatory framework to support and deepen private sector participation over and above the current railway concession. The process of selecting a consultant to support the implementation of this decision has begun with financing from the Bank-financed KTSSP.

20. The urban public transport services currently offered do not cater to the needs of the majority, who still walk to their places of work. To improve delivery of transport services in the country, long time investment plans, have been developed such as the 15-year (2010-2024) RSIP with clear priorities, and the proposed 50 year transport masterplan (involving all modes of transport with a specific 10-year investment plan) to complement the agreed institutional and policy reforms. The selection of a consultant to develop the 50-year transport masterplan is advanced and the assignment will be funded under the Bank-financed NCTIP. In addition, targeted studies have been carried out including the development of mass transit systems and a road network masterplan for Nairobi. These studies have recommended priority interventions such as improving existing road corridors; constructing critical complementary missing road links; developing mass transit corridors including commuter rail and BRT systems and providing safe and direct facilities for Non-Motorized Transport (NMT), focusing on, but not limited to, improvement of public transport access, required to address the high traffic congestion that is having serious economic consequences on reducing labor productivity, leading to losses in GDP, and contributing to an already deteriorating air pollution condition. The Bank supports the implementation of the 15-year RSIP which includes urban transport investments such as those proposed under the NUTRIP. However, there is no coherent urban transport strategy to support the development of an efficient urban transport system. NUTRIP will therefore support its development.

21. The Mass Rapid Transit Study (MRTS) for the Nairobi metropolitan region (2011) financed by AfDB and a study on the master plan for urban transport in the Nairobi metropolitan area (2006) financed by JICA highlight some of the main transport related challenges facing major towns and cities in Kenya which include worsening traffic congestion in the major towns and cities in Kenya; institutional segregation and inadequate financial resources; poor public road transport system, noise and air pollution (green house gas emissions) from vehicles in the major towns, and high accident rates with Nairobi recording over 2,000 fatal accidents annually over the last four years and nearly 3,500 people dying annually from road crashes on Kenyan roads. Mass transit systems, building capacity and streamlining institutional arrangements could help address part of this challenge. Most of these activities will be supported under NUTRIP.

22. The draft INTP indicates that 91.8 percent of Nairobi’s road transport arteries operate over their design capacities resulting in frequent day-long traffic congestion. It recommends encouraging a shift to large capacity vehicles by public transport operators and to redesign the urban traffic flows to create dedicated infrastructure for the exclusive use by large capacity buses (BRT). While the MRTS identified nine corridors as potential BRT corridors based on travel demand forecasts for 2030 consistent with Vision 2030, the proposed NUTRIP will finance the preparatory work including feasibility and detailed designs for selected BRT corridors, covering both the engineering and operational features that constitute a BRT system. Upon completion, the designed BRT system would lay the ground work for a follow on proposed urban transport operation to be supported by the Bank and other development partners.

23. Poor town planning serves to exacerbate the urban transport problem. For instance, on an ordinary day, it takes an average of more than one hour for commuters living less than 10 km away to reach the CBD of Nairobi. Motorization is increasing with about 1.2 million vehicles in 2009 compared to 591,000 in 2000 on Kenyan roads (average growth rate of about nine percent per annum), of which, over 40 percent are private cars, most of them used in urban areas. Public transport vehicles such as buses and mini buses registered a growth rate of about five percent per annum during this period. Vehicle ownership rates, congestion, and emissions are expected to significantly increase through the next 20 years, with average travel speeds and accessibility continuing to decline. Without immediate investment in urban transport infrastructure, traffic management and services, the average trip speed (all modes) will decline and also the average roundtrip journey time to work will increase. Accordingly, the economic cost of a “do nothing” scenario is likely to run into billions of shillings per annum in terms of opportunity cost and lost productivity due to time wasted in traffic jams.

24. BRT systems are emerging all over the world including USA, Latin America and Europe because of their relatively low implementation costs. For instance, construction costs for BRT are estimated at about 10% of Metro construction costs and 30-50 percent of light rail (tram)
construction costs, with passenger volumes between 10,000 – 40,000 passengers per hour per direction depending on the system layout characteristics. However, it should be emphasized that successful introduction of BRT systems, based on Bank experience elsewhere, requires strong political commitment to deal with deep vested interests linked to the provision of conventional, inefficient transport services.

25. Faced with these numerous challenges, the GoK has decided to incorporate mass transit systems measures recommended by various studies in the improvement of roads in Nairobi e.g. along the Northern Corridor through Nairobi (part of proposed Component A of NUTRIP). For this reason, the consultant carrying out the detailed designs with GoK financing of the JKIA-Rironi road section for upgrading has been instructed to include BRT systems in the detailed designs. The upgrading works will be financed under NUTRIP. It is most probable that the JKIA-Rironi BRT corridor will be ready for development much earlier than the rest, calling for additional financing under NUTRIP. In addition, KURA is preparing short-term traffic management measures for the Nairobi CBD that could be implemented as part of the BRT preparation, which could include the provision of sidewalks, pedestrian crossings and direct and safe pedestrian and bicycle routes and could also encompass the establishment of a CBD traffic management control centre.

26. The draft INTP summarizes the rail transport in Kenya as manifesting the following features: (a) weak corporate governance and lack of managerial independence; (b) comparatively high operational costs; (c) inadequate investments in infrastructure and operations; (d) outdated railway technology; and (e) political interference in resource allocation and loss of commercial customers.

27. Urban rail commuter passenger services in Nairobi city are offered on three routes with all the trains terminating at the central railway station. In 2005, Kenya Railway Corporation (KRC) concessioned the rail services to Rift Valley Railways (RVR), giving RVR the exclusive right to operate rail commuter services until 2012. Most people are not linked to railways. Motive power for passenger services is provided from the concessionaire’s (RVR) pool of aged diesel locomotives that are poorly suited for the purpose. Furthermore, these locomotives are shared with freight services that take priority in rail access and locomotive power allocation resulting in cancellation of passenger services. Thus, the reliability and quality of passenger operations is limited by the condition of the infrastructure network, the lack of adequate rolling stock, and the seemingly priority given to the potentially profitable freight rather than the passenger services. This is one of the risks to be addressed and is the basis of further reforms in the rail subsector requiring the putting in place of modalities that will facilitate equitable access for freight and passenger services. On top of this, commuters still spend a lot of time in changing from one mode of transport to another because of a lack of intermodal terminals that would facilitate rapid and convenient change of transport modes. As a result, railway modal share in urban passenger transport stands at 22,000 passengers/day (one percent of public transport demand), despite the potential demand for rail services in densely populated urban areas crossed by the core network.

28. KRC operations are governed by the KRC Act and its operations are also subject to the provisions provided for in the State Corporations Act and the Exchequer and Audit Act. Therefore, guidelines that are issued from time to time on the operations of the State Corporations by the GoK influence the management and operation of the KRC and occasionally could inhibit decision-making processes through directions from various GoK agencies. The KRC Act works against a further privatization of railway operations. The actual law is not based on the principle of open access to qualified operators, and as such a newcomer in the commuter rail market other than the existing concessionaire for commuter services RVR, will face possible constraints, such as freight train priority in the allocation of timetable slots by the freight concessionaire RVR who will remain responsible for the rail freight operations and infrastructure maintenance. Assuming access is being granted to a new private service provider, RVR, as the provider of track maintenance, sets the maintenance priorities and will likely be granted the right to charge a track access fee. It is therefore recommended to consider under the commuter services component Technical Assistance for a railway reform study that would lay the groundwork for a competitive, efficient railway system anchored in a transparent contractual relationship between the GoK and KRC for services to be provided, directly or via concession contracts, covering (multi-annual) infrastructure maintenance contracts, public service contracts and compensatory mechanisms for the procurement of passenger rolling stock.

29. In an effort to promote private sector participation in financing and management of road infrastructure, GoK offered a section of the northern corridor road passing through Nairobi for tolling. The Bank financed the advisory services under the NCTIP. The process began in 2003 and it was not until 2007 when the bids were invited, under the defunct NUTRIP. This followed the outcome and recommendations of feasibility studies conducted by internationally recruited consultants. While three firms were pre-qualified, only one consortium submitted a bid. The sponsors had requested the World Bank Group, among others, for partial financing of the capital investment and provision of guarantees against political risks. However, the World Bank Group could not support the consortium after it emerged that significant changes had occurred over the intervening period (nine years) at both project and country level rendering the implementation of the project untenable. The changes included, among others, the development of real estate worth millions of dollars, on some of the privately owned land earmarked for acquisition by the GoK for the construction of rapid tolling facilities. As a result, the GoK decided to terminate the process of concessioning.

30. An important lesson learned from the “failed” concession is the risk involved in structuring Public Private Partnerships (PPPs) for toll roads on a single project by project basis. It took three years to undertake the initial pre-feasibility studies, a further four years to prepare and invite bids for the concession and another nearly two years to do the due diligence on the sponsors, yet in the end, the concession agreement was not signed. If the same process is used on the next toll road to be constructed using such an approach, the risk is high that it could also fail and a significant amount of time and effort would be lost. It is therefore suggested that the initial effort be spent first on selecting a qualified “concessionaire” on a competitive basis to act as a strategic partner to the Kenya National Highways Authority (KeNHA) and a joint company - Special Purpose Company (SPC) - set up for this purpose, which would be mandated to structure, design, finance, build and operate (as a PPP) a number of toll roads. The proposed NUTRIP will support this effort, investigate further and facilitate the selection of such a strategic partner that meets internationally acceptable (including World Bank Group) due diligence requirements and also support the establishment of the said SPC, before designing a specific road concession.

31. Governance in the transport sector has been challenging, but significant improvements have been made in the recent past. Risks included complex institutional arrangements; unclear responsibility and ownership arrangements of the road networks; collusion and other forms of bid rigging; fraud during implementation; and overloading of vehicles that destroyed the road infrastructure, among others. To mitigate the risks and enhance integrity, the Bank and the GoK, with the guidance of the Department of Institutional Integrity (INT), agreed on a Roads Sector Governance and Integrity Improvement Action Plan (GAP), which is being implemented under NCTIP, and where appropriate adopted for the ongoing KTSSP financed by the Bank.

32. The GoK has implemented or is implementing the agreed GAP actions. For instance, new autonomous road authorities have been established, thereby clarifying the institutional arrangements in the road sub sector; there is now public dissemination of road programs and
opportunities; contract awards are published; international standard practice for management of large contracts is gradually being adopted, even for GoK funded contracts (consultant is the “Engineer”); re-enforcement of procurement regulations – GoK funded contracts are no longer “given out”, but advertised; road maintenance manuals developed and in use.

33. The oversight functions are being strengthened. Parliament has approved the establishment of a regulatory body for the construction industry (National Construction Authority) with powers to register contractors, monitoring their performance and publishing names of poor performers and those that are debarred. Similarly, Parliament has approved the strengthening of the regulatory body for consulting and practicing engineering profession (Engineers Board of Kenya), with powers to register professionals and engineering firms, assess their qualities, monitor their performance, and exercise the rights to sanction poor performance or unethical behavior. Transparency and Accountability is also improving such that a new road policy was enacted that clarified the institutional arrangements in the road sub sector. Lastly, in-depth analysis of the cost of road construction is improving. Cost estimation manuals have been developed and launched; construction unit costs are investigated and estimated more rigorously; and bids under both government and donor funded projects are subjected to much higher levels of scrutiny than before, and bids are invited without pre-qualification.

34. The results of implementing a combination of these GAP measures in the road sub sector therefore seem to contribute to improving the business environment, increasing competition and GoK obtaining comparatively more bids than before (from two to three bids to over nine), with some prices below the Engineer’s estimates. Similarly, NUTRIP, where appropriate, will adopt relevant aspects of the GAP, in particular unit costs will be rigorously investigated and estimated; stringent due diligence of bidders, consultants and suppliers; bids and qualifications will be subjected to much higher levels of scrutiny; and use of post-qualification for large works contracts; and the “Engineer” will be the works supervision consultants.

III. Project Development Objectives
The Project Development Objectives (PDO) are to: (a) improve the efficiency of road transport along the northern corridor; (b) improve the institutional capacity and arrangements in the urban transport sub sector; and (c) promote the private sector participation in the operation, financing and management of transport systems.

IV. Project Description
Component Name
A: Upgrading Urban Road Transport Infrastructure along the Northern Corridor
B: Support to the development of selected Mass Transit Corridors
C: Institutional Strengthening and Capacity Building in the Urban Transport Sector

V. Financing (in USD Million)

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VI. Implementation
35. The project execution will be carried out by five implementing agencies. KeNHA, KURA, KRC, MoT and MoR. Except for KURA, the four other agencies are currently implementing Bank-financed projects, though a number of the project staff in KURA also have working experience on Bank funded operations. The project will be mainstreamed into the operations of these institutions and form an integral part of their investment program.

36. Each implementing agency will appoint a Project Implementation Team (PIT) which will be empowered to manage the day-to-day activities of its components of the project. Each PIT will be headed by a Team Leader and will comprise members with the appropriate skills and adequate experience and qualifications. The Team Leader will report directly to the Chief Executive Officer (CEO) of KeNHA, KURA and KRC, or to the Permanent Secretary (PS) of MoT, as appropriate. The members of all PITs have already been appointed, and the World Bank will be consulted prior to any changes in PIT membership. PIT duties and responsibilities are elaborated in Annex 3.

37. However, for the BRT sub component, given the multi-disciplinary nature of the system with a myriad of transport related activities to be completed concurrently with bus-lane infrastructure, the need to establish a strong institutional structure is imperative. This is required to facilitate inter-ministerial coordination on technical and decision-making level to create consistency between engineering, operational and regulatory aspects. Therefore, an inter-ministerial BRT PIT will be established to handle technical issues including defining, resolving or referring to the Project Steering Committee issues of cross-sectoral nature. The technical committee will have representatives from all the implementing agencies and key stakeholders including bus operators, CCN; Ministry of Local Government; Ministry of Nairobi Metropolitan Development; and Matatu operators to resolve issues of intra-ministerial nature. KURA will provide secretarial services to the committee. The BRT PIT will report to the Director General, KURA. The Team Leader for the KURA PIT will be at the General Manager level and will be responsible for the day-to-day coordination of the BRT activities.

38. These implementation arrangements take into account the experience learnt from other World Bank financed projects in Kenya. For instance, NCTIP was a first major transport project financed by the Bank after a 10-year break in its lending program to the transport sector and it was imperative to build capacity in the implementing agencies to manage major projects. Therefore, adequate capacity building on operational BRT components will be provided to the KURA PIT through internationally recruited TA. Keeping infrastructure and operations components in one agency facilitates good coordination in the preparation of the various BRT (sub-) components. Once the proposed NMTA is established, the KURA PIT could be transformed into the Public Transport Department as part of the Authority.
39. These implementation arrangements are likely to change in the short to medium term as the new constitution and also the agreed reforms are implemented. Modifications may be required to respond to these changes as they arise. The changes are likely to involve merging or changing roles or having new institutions altogether such as the proposed NMTA that could be involved in the implementation of the project. These uncertainties are noted and therefore possible restructuring at or before the Mid Term Review (MTR) may have to be carried out to adjust the implementation arrangements accordingly.

40. All the PITs will comprise of regular staff of the implementing agencies and the project will be implemented as follows:
(a) Component A: KeNHA
(b) Sub component B1: KURA
(c) Sub component B2: KRC
(d) Sub component C1: MoT
(e) Sub component C2: MoR

41. There will be a Project Coordinator (PC) and Project Oversight Committee (POC). The PC, who will report to the PS, MoR, will be responsible for overall project reporting and coordination and will raise any issues that may hamper smooth preparation and implementation to the POC. The POC will be responsible for steering, oversight and strategic guidance to project implementation, and will resolve bottlenecks particularly of a policy nature. MoR will be responsible for the appointment of the PC and provide the office for the secretariat. The POC will comprise the PS, MoR; PS, MoT; CEOs of KeNHA, KURA, KRC, a representative of the MoF and the PC. The PS, MoR, will chair the POC. The PC will be the Secretary to the POC (see Annex 3). MoR will have responsibility for coordination of the project, given that the bulk of the project is related to road activities.

42. Sub component C1 involves diverse and complex issues that cut across several ministries. Hence, KURA will co-opt other non-state key stakeholders in its PIT.

VII. Safeguard Policies (including public consultation)

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