PROGRAMME UPDATE | URBAN DEVELOPMENT GRANTS

29 of 30 Assessed Municipalities Qualify as KUSP2 Unlocks Ksh 6.92 Billion in Urban Development Grants and Ksh 1.24 Billion in WHR UDG

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The Second Kenya Urban Support Programme (KUSP2) has completed Phase 1 of its second Annual Performance Assessment (APA2) for the Urban Development Grant (UDG), covering 30 of KUSP2's 79 municipalities. The results are broadly positive: of the 28 municipalities assessed under the regular UDG window, 27 met all Minimum Conditions and will share a total allocation of Ksh 6.92 billion for urban infrastructure and services. Both municipalities assessed under the separate WHR Urban Development Grant (WHR-UDG) window — Kakuma and Dadaab-Hagadera — also qualified.

Assessments were independently conducted by Alpex Consulting Africa Limited (ACAL) as Independent Verification Agent (IVA), evaluating each municipality against nine Minimum Conditions (MCs) — which determine eligibility — and ten Performance Standards (PSs), which determine the grant level. Phase 1 covers the first 30 of KUSP II's 79 municipalities; assessment of the remaining 49 is ongoing.

Ksh 28
UDG Municipalities Assessed
Phase 1 — regular municipalities

Ksh 27
Qualifying for UDG
Hola did not qualify

Ksh 6.92B
Total UDG Allocation
27 qualifying municipalities

2
WHR-UDG Municipalities Assessed

2
Qualifying for WHR-UDG
Kakuma and Dadaab-Hagadera

Ksh 1.24B
WHR-UDG Allocation
2 qualifying municipalities

Assessment Results

The UDG and WHR-UDG are distinct grant windows with similar but not the same assessment frameworks. The UDG covers 77 of KUSP2's 79 municipalities and is assessed against nine Minimum Conditions and ten Performance Standards. The WHR-UDG covers Kakuma (Turkana County) and Dadaab-Hagadera (Garissa County) — municipalities in counties hosting large refugee populations — and is assessed against a tailored set of standards.

Among the 28 UDG municipalities assessed in Phase 1, 27 fully satisfied all nine Minimum Conditions. Across the ten Performance Standards, the picture is strong with notable variation by standard:

PS	Performance Standard	Met	Partial	Not Met / Notable
PS 1	Transfer of Urban Functions	18 fully met	9 partial	1 failed
PS 2	HR & Performance Management	26 met	—	2 failed
PS 3	Participation & Accountability	27 met	—	1 partial
PS 4	Spatial/Land Use Plans	23 met	2 partial	3 failed
PS 5	Climate Risk Profile	27 met	—	1 failed
PS 6	Development Control Systems	7 fully met	21 partial	—

PS 7	Infrastructure Design Standards	28 met (all)	—	—
PS 8	Solid Waste Management	25 fully met	3 partial	—
PS 9	Asset Management & O&M	25 met	1 partial	1 failed (Hola)
PS 11	Private Sector Engagement	26 met	2 partial	—

The standout result is PS 7 — Infrastructure Design Standards — where all 28 qualifying municipalities achieved full compliance, demonstrating that climate resilience and environmental safeguard checklists are now embedded in investment planning. Participation and accountability (PS 3) and climate risk profiling (PS 5) also performed strongly. The most significant system-wide gap is PS 6 — Development Control Systems — where only 7 municipalities achieved full compliance; the remaining 21 were partially compliant, mainly due to absent zoning regulations and limited digitisation of development approval processes. Seven municipalities — Kisumu, Ahero, Eldoret, Nakuru, Meru, Maua, and Mwatate — have already fully moved to digital systems and offer a ready model for peers.

For the WHR-UDG, the assessment focused on planning readiness and financing arrangements for the preparation of Local Physical and Land Use Development Plans (LPLUDPs). Kakuma demonstrated clear planning and funding arrangements, including a budget allocation in Turkana County's FY 2024/25 budget and a workplan for UIG activities. Dadaab-Hagadera submitted a notice of intention to plan but did not provide evidence of a workplan or budget vote. Both municipalities nonetheless qualified under the WHR-UDG framework.

Strengths and Priority Gaps

Among the most consistent strengths: performance contracting is well embedded (26 of 28 UDG municipalities met PS 2); solid waste policies are universally in place with expanded collection coverage; and climate risk profiles — a new requirement under APA 2 — were prepared, approved, and publicly disclosed by 27 municipalities.

Key gaps requiring action ahead of APA 3: nine municipalities partially met PS 1 due to the absence of Governor's gazette notices formalising the transfer of urban functions — a county-level step with direct legal consequences for municipal mandates. Only 2 of 28 municipalities met the staffing threshold of filling 50% of technical positions. Three municipalities — Hola, Kilgoris, and Narok — lacked County Assembly approval of their spatial plans, and GIS integration remains incomplete in several others.

Grant Allocations

UDG and WHR-UDG allocations are computed separately. UDG allocations combine PS score and population size; WHR-UDG allocations reflect the specific needs and context of refugee-hosting municipalities. All figures are at the Financial Agreement exchange rate of Ksh 136.033/US$.

Urban Development Grant (UDG) — 27 qualifying municipalities

The 27 qualifying UDG municipalities share a total allocation of Ksh 6.92 billion. Full allocations are shown below.

County	Municipality	PS Score	Population	Allocation – FA Rate (Ksh)
Baringo	**Kabarnet**	73	22,474	40,171,682

Bungoma	**Bungoma**	69	68,031	114,940,406
Elgeyo Marakwet	**Iten**	49	12,630	26,662,468
Isiolo	**Isiolo**	71	78,650	136,733,162
Kakamega	**Kakamega**	73	107,227	191,665,434
Kakamega	**Mumias**	73	41,942	74,970,219
Kiambu	**Ruiru**	72	490,120	864,075,522
Kiambu	**Kikuyu**	72	323,881	570,998,213
Kiambu	**Karuri**	72	194,342	342,622,552
Kiambu	**Juja**	72	156,041	275,098,361
Kiambu	**Kiambu**	72	147,870	260,692,988
Kiambu	**Limuru**	72	81,316	143,359,106
Kiambu	**Thika**	72	251,407	443,227,444
Kisumu	**Kisumu**	74	397,957	721,081,991
Kisumu	**Ahero**	74	16,853	40,265,768
Lamu	**Lamu**	73	25,385	45,375,018
Marsabit	**Marsabit**	73	36,289	64,865,630
Meru	**Meru**	74	80,191	145,302,849
Meru	**Maua**	74	50,826	92,094,657
Nakuru	**Nakuru**	63	570,674	880,329,827
Nandi	**Kapsabet**	73	41,997	75,068,530
Narok	**Narok**	61	65,430	97,729,018
Narok	**Kilgoris**	61	10,845	33,192,052

Samburu	**Maralal**	73	31,350	56,037,298
Taita Taveta	**Mwatate**	74	9,572	40,265,768
Trans Nzoia	**Kitale**	71	162,174	281,939,781
Uasin Gishu	**Eldoret**	74	475,716	861,978
TOTAL				**6,920,743,896**

WHR Urban Development Grant (WHR-UDG) — 2 qualifying municipalities

Kakuma and Dadaab-Hagadera both qualified for WHR-UDG funding. Final allocation amounts will be confirmed in the full Phase 1 report upon QAR clearance. The combined WHR-UDG envelope for Phase 1 is Ksh 1.24 billion at the Financial Agreement rate.

County	Municipality	PS Score	Population	Allocation – FA Rate (Ksh)
Turkana	Kakuma	78	244,286	Ksh 642.8M
Garissa	Dadaab-Hagadera	75.5	233,726	Ksh 642.8M
TOTAL				**Ksh 1.24 B**

Funding under both windows is directed to KUSP2's eligibility menu: connectivity and mobility, water drainage, markets, open spaces, solid waste infrastructure, and fire and disaster management.

Paper Compliance Is Not Enough: The Institutional Imperative

The APA 2 results are encouraging — but compliance scores are a means to an end, not the end itself. The real test is whether the institutional foundations are translating into functional, adequately resourced urban governance in practice.

A call to county governments

Well-functioning municipalities are not a cost to county governments — they are among the most effective agents county governments have for delivering services, managing urban growth, and improving own-source revenue. A municipality that controls its roads, markets, solid waste, and development control is a municipality generating fees, licences, and rates that flow back into the county revenue base. Counties that treat their urban boards as marginal units, starve them of financing, or fail to gazette the transfer of functions are, in effect, undermining their own fiscal and service delivery capacity.

KUSP2 therefore calls on county governments to move beyond formal compliance and take three concrete steps: establish a predictable annual financing framework for each urban board that goes beyond programme grant pass-through; complete the gazette notice process formalising the transfer of urban functions without further delay; and treat municipal performance — including UDG qualification results — as a governance accountability matter at the county executive level, not merely a technical programme requirement.

The municipalities that perform well in these assessments are not doing so by accident. They are doing so because county leadership has chosen to invest in them — financially, politically, and institutionally. That is the model every county should replicate.

A Concern That Cannot Be Overlooked: Hola Municipality

Of the 28 UDG municipalities assessed in Phase 1, Hola — the headquarters of Tana River County — is the sole municipality that did not qualify for UDG funding. Hola failed seven of the nine Minimum Conditions, satisfying only MC 7 (infrastructure design standards) and MC 9 (county commitment to KUSP II). The conditions not met are foundational: board constitution and gender representation, core staff appointment, an approved budget vote, county financing commitment, public participation, an approved spatial plan, and operationalisation of the private sector engagement framework.

The consequence is direct and material. The UDG allocation Hola would have received will not flow to the municipality. Infrastructure — drainage, markets, solid waste systems, roads, open spaces — that residents of Tana River depend on will not be built this cycle. These are not abstract programme penalties; they are real service deficits borne by the county's urban population.

SDHUD calls on the Governor, the County Executive Committee, the Municipal Board, and the Municipal Manager of Hola to treat this result as a leadership accountability matter. The programme requirements are well-known and have been in place long enough to be met. The next assessment cycle presents another opportunity to qualify — or another year of missed funding that Tana River County cannot afford. KUSP2 stands ready to provide technical support, but the resolve must come from the county itself.

Looking Ahead

Phase 2 of APA 2, covering the remaining 49 municipalities, is being finalised. Once complete, a full national picture of UDG and WHR-UDG performance across all 79 KUSP II municipalities will be available. SDHUD and the NPCT will continue engaging municipalities and county governments on the findings, with capacity-building support prioritised for areas where performance was weak.

KUSP2 exists to enable Kenya's urban areas to deliver better services to the millions of Kenyans who live within them. The strong Phase 1 results show the model is working. The challenge — and the opportunity — now is to ensure that the institutions being built on paper become institutions that perform in practice, year after year.