

A Clean Sweep: All 45 Counties Qualify for Urban Institutional Grants Under KUSP2

Results of the Second Annual Performance Assessment signal strong county commitment to Kenya's urban transformation agenda — even as structural challenges in the sector persist

45 of 45 Counties Fully Compliant	5 of 5 UIG Conditions Met by All	Ksh. 1.22B UIG Grants Unlocked
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In a milestone for Kenya's urban governance reform agenda, all 45 county governments participating in the Second Kenya Urban Support Programme (KUSP2) have satisfied every one of the five Urban Institutional Grant (UIG) Minimum Conditions (MCs) assessed during the Second Annual Performance Assessment (APA2). This perfect compliance record — achieved across counties as diverse in geography and urbanisation profile as Marsabit, Kwale, Kisumu, and Bungoma — is not merely a procedural milestone. It is a powerful signal that Kenya's devolved system of urban governance is starting to mature, and that county governments are genuinely invested in the sustainable development of their urban areas.

The results, independently verified by Alpex Consulting Africa Limited (ACAL) and cleared by the World Bank through a Quality Assurance Review, unlock **Ksh. 27 million** in UIG grants for each of the 45 counties — a total national disbursement of approximately **Ksh. 1.22 billion**. Garissa and Turkana counties, which host Kenya's two major refugee settlements at Dadaab and Kakuma-Kalobeyei respectively, have also met the WHR-UIG MCs and will each receive an additional **Ksh. 65 million** under the Window for Host Communities and Refugees (WHR) — resources that will directly support the integration of refugee settlements into sustainable urban systems.

Understanding the Urban Institutional Grant: Why Institutional Capacity Comes First

Before a city or municipality can receive financing for roads, drainage systems, markets, or public spaces, the institutions responsible for planning and managing those investments must be in place and functioning. This is the fundamental logic underpinning the UIG — KUSP2's dedicated funding window for county-level institutional and capacity building activities.

At its heart, the UIG recognises that infrastructure is only as durable as the institutions that plan, procure, maintain, and account for it. Under KUSP2, each of the 45 participating counties is eligible to access the UIG to finance core institutional strengthening activities — from urban planning instruments and climate risk profiles to the training of municipal managers and county staff, to the review of human resource management systems and the development of private sector engagement frameworks.

To access the UIG, counties must first demonstrate compliance with five **MCs**, assessed annually through the APA process:

1. **MC 1:** County government commitment to participate in KUSP², evidenced by the Governor's signed Intergovernmental Participation Agreement.
2. **MC 2:** Development and implementation of a County Urban Institutional Development Strategy (CUIDS), integrating climate resilience and disaster risk management.
3. **MC 3:** Use of UIG funds consistent with the approved CUIDS and the eligibility menu in the Programme Operations Manual (POM).
4. **MC 4:** Allocation of at least 50 percent of UIG funds towards activities directly benefiting eligible urban boards participating in KUSP².
5. **MC 5:** Allocation of at least 30 percent of UIG funds towards climate change related activities spanning policy and regulatory work, urban planning, resilience, asset management, and capacity building.

The UIG is therefore not a simple transfer — it is a performance incentive. Failure to meet any single condition disqualifies a county from accessing its UIG allocation for that year. This design ensures that public resources flow to institutions demonstrating both commitment, effort, and competence, driving a virtuous cycle of reform and investment.

What the APA 2 Results Tell Us

The APA 2 assessment was conducted between January and May 2026 and covered all 45 participating counties and 79 municipalities. The findings, structured against the five UIG MCs, reveal a programme that is starting to perform well across all dimensions of institutional compliance.

MC 1 — Universal commitment to programme goals. Every county governor has signed a Participation Agreement with the State Department for Housing and Urban Development (SDHUD), an unambiguous statement, at the highest level of county leadership, that urban development is a governance priority. This political commitment binds counties to the Programme Operations Manual (POM) and creates a framework of accountability that cascades down to Municipal Managers, County Executive Committee Members, and their administrations.

MC 2 — Institutionalised urban strategies in place. All 45 counties have prepared and had their CUIDS approved by their respective County Executive Committees. The CUIDS is the strategic instrument through which counties plan and budget their UIG-financed activities, link urban development to county planning cycles, and document their approach to climate resilience. While the assessment noted that sixteen counties' CUIDS retain relatively thin climate resilience and disaster risk management sections — among them Kiambu, Nyeri, Meru, Kitui, Uasin Gishu, and Kakamega — and would benefit from stronger action plans, the foundational architecture is in place across board.

MC 3 — UIG funds used in line with approved plans and programme rules. All counties demonstrated that their UIG expenditure plans conform to the approved CUIDS and are consistent with the eligibility menu in the POM. Because UIG disbursements were delayed in FY 2024/25, 31 counties carried their planned activities forward into FY 2025/26 workplans, while 14 counties revised their plans with updated activities. The assessment confirmed that in all cases the workplans remained within the eligible expenditure categories, covering urban

planning, capacity building, climate resilience, private sector engagement, asset management, and environmental and social management.

MC 4 — Resources flowing to municipalities. On average, county governments allocated **63 percent** of their UIG resources to activities directly benefiting participating municipalities — exceeding the programme's 50 percent threshold by a meaningful margin. Activities financed include training of municipal and county staff, GIS equipment and technical tools, development of land use plans, review of Integrated Development Plans, and establishment of private sector engagement frameworks. This strong performance signals that county governments are increasingly treating their municipalities as genuine investment priorities.

MC 5 — Mainstreaming climate resilience into urban investment. Across the programme, counties allocated an average of **41 percent** of UIG funds to climate change related activities — well above the 30 percent minimum. Climate actions financed include preparation of climate risk profiles and GIS hazard mapping, development and review of municipal plans incorporating urban resilience, development of environmental policies, emergency response planning, and community awareness sessions on climate adaptation.

Building on Earlier Reforms: Progress, Persistence, and Remaining Challenges

These results do not emerge from a vacuum. They are the latest chapter in a decade-long effort to build the institutional foundations for effective urban governance in Kenya — an effort that has delivered real gains, while confronting structural obstacles that continue to shape the reform landscape.

The foundations laid by KUSP I. When the first Kenya Urban Support Programme was launched in 2018, no county government had yet established the urban institutions envisioned under the Urban Areas and Cities Act (UACA) of 2011. KUSP I changed that fundamentally. By the time it closed in December 2023, it had helped establish and operationalise 59 urban boards across 45 counties, financing over 300 infrastructure projects and building the first generation of urban governance capacity at the county level. County governments had chartered a total of 97 municipalities nationally by the time KUSP2 commenced, with urban boards established for 70 of these.

KUSP2 became effective in March 2024 and inherited these foundations. The program tasks itself with taking the next step: not merely establishing urban institutions, but making them effective. The APA2 results demonstrate that this transition is underway. Counties are planning strategically, budgeting intentionally, and building the human and institutional capacity that will sustain urban service delivery long after programme financing ends.

But significant challenges persist. The APA2 results, while encouraging, must be read alongside a frank acknowledgement of the structural obstacles that continue to constrain Kenya's urban sector. Many urban boards remain weakly empowered, with county governments reluctant to fully delegate authority, define mandates clearly, or transfer adequate budgets and human resources to municipal institutions. Kenya's fiscal transfer system does not directly fund urban boards, leaving most municipalities structurally underfunded — without dedicated operations and maintenance budgets, and with limited capacity to generate their own revenue through development control or billing systems. Across the 79 municipalities, technical and human resource capacity gaps remain pervasive: planning, engineering, safeguards, and procurement functions are frequently understaffed, and high staff turnover compounds the

challenge. Private sector engagement is nascent, urban planning enforcement remains weak in many secondary towns, and gender representation gaps persist. These are not new constraints — they are the very conditions KUSP2 is designed to address, progressively and systematically, over its programme period.

"Despite structural constraints, county governments are engaging seriously with the reform agenda — and the APA 2 results are evidence that progress is real."

Reforms are taking hold. The CUIDS is now embedded in county planning and budgeting cycles. Resources are flowing to municipalities. Climate resilience is being mainstreamed into institutional planning. These are not cosmetic changes: they represent a genuine shift in how county governments conceptualise and resource their urban institutions. The performance-based grant architecture — where compliance with institutional benchmarks gates access to infrastructure financing — creates powerful incentives for counties to treat urban institutional strengthening not as a compliance exercise, but as a foundation for larger development investments.

The Stakes: Why Urban Institutional Strength Matters for Kenya

"Urban areas contribute over 50 percent of Kenya's GDP — and their performance is central to Kenya's ambition to become an upper-middle-income country by 2030."

Kenya is urbanising at a rate of 4.3 percent a year. By 2050, half the country's population will live in urban areas. Urban economies already contribute more than half of Kenya's GDP — and yet, for millions of urban Kenyans, this growth has not translated into reliable water supply, adequate roads, safe public spaces, or meaningful economic opportunity. Urban poverty has been rising. Infrastructure has not kept pace with population. And the institutions responsible for managing urban areas have, in too many cases, lacked the mandate, the resources, and the capacity to do so effectively.

KUSP2 is designed to change this by addressing the institutional deficit at its source. A municipality that has a functioning board, a competent administration, a strategic development plan, and a working budget framework is a municipality capable of delivering services, attracting investment, and holding public resources accountable. These are the conditions that unlock the potential of Kenya's secondary cities and towns — places like Isiolo, Kitui, Bomet, Nandi Hills, and Migori — to become genuine engines of local and national economic growth.

Kenya Vision 2030 and the Fourth Medium Term Plan (2023–2027) both identify sustainable urbanisation as a pillar of national development. The KUSP2 UIG is a direct instrument in translating that vision into institutional reality: year by year, assessment by assessment, building the county and municipal systems through which Kenya's urban future will be managed.

SDHUD's Role: Policy Leadership, Programme Management, and County Support

Behind these results lies the sustained institutional effort of SDHUD. The department's engagement in urban development is grounded in a constitutional and statutory mandate: as Kenya's agency responsible for leading urban reforms, it is responsible for the policies, standards, and regulatory frameworks within which county governments and urban institutions operate — including the Urban Areas and Cities Act (UACA), the National Urban Development Policy (NUDP), and the Second Kenya Urban Programme (KenUP2, 2022–2026). KUSP2 is one of the primary instrument through which this national agenda is being operationalised at scale. Through National Programme Coordination Team (NPCT), SDHUD manages all the programme's dimensions — from fiduciary oversight and stakeholder coordination with the Council of Governors, the World Bank, and UN-Habitat, to results monitoring and the development and dissemination of technical instruments that counties use to build institutional capacity.

For this assessment cycle, SDHUD through the NPCT played a direct preparatory role in the results achieved. The NPCT provided hands-on technical guidance to county governments, issued programme clarifications, and worked with the Council of Governors to mobilise County Project Coordination Teams ahead of the assessment, ensuring that counties were well prepared and that the compliance process was fair, consistent, and transparent for all 45 participants.

Importantly, the APA is more than a compliance gate for grant disbursement, it is a capacity diagnostic. The detailed findings from APA2, including gaps in CUIDS climate resilience sections, weaknesses in municipal staffing and planning, and variations in UIG fund utilisation across counties, provide SDHUD with the evidence base it needs to design targeted capacity building and technical assistance for the next programme cycle. Counties and municipalities that fell short on specific parameters will receive differentiated support. In this way, the APA drives not just accountability, but learning and continuous improvement across the programme.

What Comes Next

The UIG grants now being disbursed will finance the institutional and capacity building activities that counties have committed to in their CUIDS and annual workplans: training of staff, development of planning tools, review of HR systems, and preparation for the more demanding future UIG and Urban Development Grant (UDG) assessments.

The APA 2 UDG and WHR-UDG results will follow in the next phase of reporting. These assessments, which evaluate whether municipalities have functioning institutional structures, adequate core staff, approved development plans, and functioning citizen engagement mechanisms, will determine the allocation of infrastructure financing for urban service delivery projects across the country.

APA3 is the next milestone on the horizon. Counties and municipalities that have completed the institutional groundwork assessed in APAs 1 and 2 will be well positioned. Counties with weak climate resilience sections in their CUIDS are encouraged to undertake the recommended reviews ahead of the next cycle — including developing clear action plans that address both climate mitigation and adaptation challenges specific to their urban contexts. Similarly, counties where delegation of functions to urban boards remains limited are encouraged to take concrete steps to close this gap before APA3.

The journey to well-governed, resilient, and prosperous urban areas in Kenya is a long one. The structural challenges are real, and no programme alone can resolve them. But the APA2 UIG results confirm that the foundations are being laid, county by county, municipality by municipality, and that the commitment of Kenya's devolved governments to this agenda is real, measurable, and deepening.