CONGRESSIONAL NOTIFICATION TRANSMITTAL SHEET

This Congressional Notification outlines the Millennium Challenge Corporation's intent to negotiate and sign a threshold program grant agreement with the Government of Kenya.

If you or your staff would like to arrange a meeting to discuss the proposed negotiations with the Government of Kenya, please contact Brian Forni at (202) 521-2631 or ForniBJ@mcc.gov.

The attached notification is being transmitted to the Congress on April 11, 2022 and negotiations with the Government of Kenya may be started, the threshold program grant agreement signed, and funds obligated on or after 15 days from the date of this notification.

In addition to the enclosed notification, we have attached supplemental information regarding the planned threshold program.

Sincerely,

/s/

Aysha House
Vice President
Congressional and Public Affairs

Enclosure as stated

MILLENNIUM CHALLENGE CORPORATION
CONGRESSIONAL NOTIFICATION

April 11, 2022

PROGRAM:	Threshold
APPROPRIATIONS CATEGORY:	Fiscal Years 2020, 2021, & 2022
OBLIGATION AMOUNT:	$60,000,000

Pursuant to Division G, Title III, under the heading “Millennium Challenge Corporation” of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94): Division K, Title III, under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2021(P.L. 116-260); Division K, Title III under the heading “Millennium Challenge Corporation” of the Consolidated Appropriations Act, 2022 (P.L. 117-103); and section 610(a) of the Millennium Challenge Act of 2003, as amended (the “Act”), this notification is to advise you that the Millennium Challenge Corporation (MCC) intends to negotiate and sign an agreement with the Government Kenya obligating up to $60,000,000 for a program of assistance under section 616 of the Act (the “Threshold Program”).

The proposed Threshold Program with Kenya is designed to support policy and institutional reforms in an area identified as a critical constraint to economic growth and poverty reduction—the limited urban connectivity that undermines productivity in Nairobi.

SUPPLEMENTAL INFORMATION
PROPOSED KENYA THRESHOLD PROGRAM

Overview

The proposed Kenya Threshold Program seeks to assist the Government of Kenya in addressing limited urban connectivity, which undermines productivity in Nairobi, a critical constraint to inclusive economic growth. The threshold program will address this constraint through four projects: the Integrated Transport Planning Project, the First and Last Mile Connections Project, the Detailed Land Use Project, and the Blended Finance for Bus Rapid Transit (BRT) Project.

Background and Context

Selection and Eligibility Overview

The Board selected Kenya to develop a threshold program in December 2019. At the time, Kenya did not pass the MCC scorecard. Kenya subsequently strengthened its performance on the Control of Corruption indicator, leading it to pass the indicator and the overall scorecard for the first time in the Fiscal Year (FY) 2021. Kenya continues to pass the scorecard in FY 2022.

Summary of Constraints to Growth

MCC and the Government of Kenya identified limited urban connectivity as a binding constraint to economic growth in Kenya. The analysis revealed that urban areas in Kenya—particularly Nairobi—did not enjoy the significant productivity benefits frequently associated with urban growth. Nairobi ranks among the most fragmented cities in the world, with low levels of capital investment giving rise to poor connections between neighborhoods. A lack of planning and investment has led to disconnected communities that radiate out from the city center along the city's hub-and-spoke network of main roads. This lack of connectivity has resulted in one-fifth of the land beyond the city center being occupied by informal settlements with virtually no planning at all. Congestion also reduces connections between productive elements of the urban economy, not least between workers and economic opportunities. The impact of limited connectivity falls most heavily on women by driving them into home-based, informal labor, for which the wage gap is nearly twice that in the formal labor market. Taken together, the issues of poor planning, traffic and congestion, and high transport costs undermine connectivity and fragment the Nairobi metropolitan area, limiting productivity among manufacturing firms in Nairobi.

The challenges of urban connectivity are experienced most intensely in Nairobi, the country's largest and most economically important city. Specifically, the challenges grow out of two related issues, namely (i) the inefficient movement of people and goods along the available network of roads, railways, and other transport infrastructure, and (ii) the inefficient organization of the built environment throughout the metropolitan area.

Country Context

Under its *Vision 2030* development plan, the Government of Kenya has emphasized the objectives of food security, healthcare, affordable housing, manufacturing, and transport infrastructure. To support increased expenditure on these priorities, the Government of Kenya will make significant transport infrastructure expansion investments to launch major transport infrastructure improvements within the Nairobi metropolitan area, including an upgrade to the international airport, an elevated highway that will run through the central business district, and four major bypass roads that will route commercial traffic away from the crowded city center.

To coordinate transportation planning and develop a new mass public transport system across the five counties of the Nairobi metropolitan area, the Government of Kenya created the Nairobi Metropolitan Area Transport Authority (NAMATA) in 2017. Then, in 2019, the Government of Kenya launched a new commuter rail service to connect suburban areas to the central business district, and in early 2020, began construction of the first of five planned lines of a BRT system. In 2020, the national government negotiated an agreement by which it assumed the responsibilities for land use planning, local transportation, and implementation through the Nairobi Metropolitan Services (NMS), a dedicated unit within the Executive Office of the President.

Program Summary and Budget

The proposed Kenya Threshold Program aims to:

1. Strengthen NAMATA and build its capacity to coordinate, manage, and lead long-term efforts to rationalize the planning and prioritization of transportation investments across numerous public agencies;
2. Improve the planning and construction of small-scale infrastructure that connects residents of economically disadvantaged neighborhoods, as well as combat the problem of sexual harassment on private minibus taxis (known locally as matatus);
3. Update the policy and regulatory framework for land use decisions, support integrated processes for the development of a comprehensive land use plan for neighborhoods located east of Nairobi's central business district, and introduce new approaches to transit-oriented development that build stronger connections between residential, commercial, and industrial areas and the emerging commuter rail service and BRT system; and
4. Catalyze financing for the implementation of a BRT system using blended finance instruments.

Below is a summary describing the components of the proposed threshold program and the anticipated budget of up to $60 million.

Table 1: The Kenya Threshold Program Budget

Project/Activity	Budget (US$)
Integrated Transport Planning Project	**$6,000,000**
Activity 1: Institutional Startup Support	$1,000,000
Activity 2: Integrated Transport Planning	$4,450,000
Activity 3: Sector Governance and Alignment	$550,000
First and Last Mile Connections Project	**$20,000,000**
Activity 1: First and Last Mile Connections	$16,660,000
Activity 2: Capacity Building Support	$320,000
Activity 3: Sexual Harassment Prevention	$3,020,000
Detailed Land Use Project	**$13,900,000**
Activity 1: Policy and Legal Framework	$3,410,000
Activity 2: Land Use Planning	$3,690,000
Activity 3: GIS	$1,030,000
Activity 4: Land Activities to Promote Investment	$5,770,000
Blended Finance for Bus Rapid Transit Project	**$12,000,000**
Monitoring and Evaluation	**$600,000**
Program Administration	**$7,500,000**
Total Program	**$60,000,000**

Proposed Projects

Integrated Transport Planning Project

The proposed Integrated Transport Planning Project is designed to help streamline multimodal transport system planning for Nairobi. The three activities within this project will support NAMATA to fulfill its institutional role of leading and managing a comprehensive, cooperative, and continuous transport planning process. The first activity focuses on developing the human resource capacity of NAMATA. The second activity aims to position and empower NAMATA to lead transport planning for the Nairobi metropolitan area, with the goal of developing a financially realistic transport investment plan. The third activity focuses on identifying gaps, overlaps, and conflicts among transport agencies and improving the sharing of information and enhanced coordination.

First and Last Mile Connections Project

The proposed First and Last Mile Connections Project is designed to improve connectivity and provide safe access to the mass public transport system. The project will focus on a target area in Nairobi - a 27 square kilometer neighborhood jointly selected by the Government of Kenya and MCC (Target Area). The first activity will support the orderly planning, prioritization, design, and construction of small-scale investments to improve connectivity between areas in which residents live and work, and stations on the mass public transport system, thus providing a learn-by-doing experience. The second activity will focus on building capacity for multimodal connectivity that includes non-motorized transport infrastructure. The goal is to inform better investment decisions through integrated processes.

A key component of this project is an activity that aims to address sexual harassment on matatus. Often, women either avoid the use of matatus altogether or lengthen travel times by walking and waiting to access safer routes. Building on promising initial findings, the program would work with non-governmental organizations (NGOs) to recruit matatus interested in participating in trainings to identify and prevent sexual harassment in order to market enhanced safety measures to female passengers. Additionally, the training would amplify the work of local NGOs to prevent sexual harassment, develop centralized reporting and response protocols, and create an accreditation system and branding strategy under which matatus owners and operators will be able to advertise their participation in the program to potential customers.

Detailed Land Use Planning Project

The proposed Detailed Land Use Planning Project is designed to facilitate the planned connectivity investments (from the First and Last Mile Connections project) in the Target Area of Nairobi by the end of the program. Four closely related activities will help to address the inefficient organization of the built environment, which limits connectivity of citizens to jobs and amenities such as healthcare, commercial centers, and other vital services. The project will seek to (i) modernize the policy and regulatory framework for land use planning and development; (ii) prepare land use plans using the integrated planning policy guideline and regulatory framework in the Target Area; (iii) establish a land GIS platform for Nairobi City County Government and NMS; and (iv) provide support for the implementation of land use plans in the Target Area.

Blended Finance for BRT Project

The proposed Blended Finance for BRT Project is designed to catalyze financing for the operation of the BRT in a manner that promotes lower greenhouse gas emissions. By supporting the leasing of lower emission buses or other financing gaps in the operation of the BRT, the project will also help address a key Government of Kenya priority and strengthen NAMATA as an organization. If MCC deems that there are no blended finance opportunities available to meet the project objective by the end of the program's second year, then the $12 million will be de-obligated and the funds will not be reallocated towards the rest of the program.