

REPUBLIC OF KENYA



GOVERNMENT OF MAKUENI COUNTY



EMALI-SULTAN HAMUD MUNICIPALITY

PRIVATE SECTOR ENGAGEMENT FRAMEWORK

FORWARD

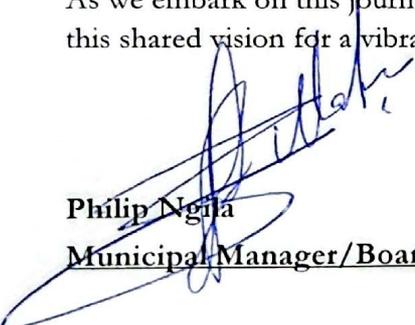
Kenya's rapid urbanization is increasingly evident within emerging urban centers such as Emali-Sultan Hamud Municipality, where population growth, economic activity, and spatial expansion are reshaping the local development landscape. These dynamics underscore the critical role of the private sector in supporting the Municipality's journey toward becoming a sustainable, inclusive, and resilient urban hub. In recognition of this, both national and county governments continue to prioritize strong public-private partnerships as a strategic approach to addressing infrastructure gaps, enhancing service delivery, and stimulating local economic growth.

The Private Sector Engagement Framework (PSEF) represents a significant step toward institutionalizing structured, transparent, and inclusive collaboration within Emali-Sultan Hamud Municipality. It provides a practical platform for engaging private sector actors, investors, and entrepreneurs in unlocking opportunities across key sectors such as trade, transport, housing, agribusiness, and urban services. The framework reflects a shared commitment among government institutions, private sector stakeholders, civil society, and local communities to work together in shaping a municipality that is competitive, equitable, and environmentally sustainable.

By setting out clear processes, roles, and partnership mechanisms, the PSEF aims to harness the unique strengths of the local private sector while attracting new investment into the Municipality. This is aligned with Kenya's broader development agenda under Vision 2030 and the Kenya Kwanza Bottom-Up Economic Transformation Agenda, with a strong emphasis on empowering local economies and strengthening market linkages in regions such as Emali and Sultan Hamud.

More than a policy guide, this framework is a commitment to inclusive growth, shared responsibility, and accountability at the local level. Its successful implementation will foster meaningful partnerships, unlock economic potential, and improve the quality of life for residents of Emali-Sultan Hamud Municipality.

As we embark on this journey, we call upon all stakeholders to actively participate in realizing this shared vision for a vibrant, well-planned, and prosperous Municipality.



Philip Ngila
Municipal Manager/Board Secretary

EXECUTIVE SUMMARY: FRAMEWORK FOR PRIVATE SECTOR ENGAGEMENT IN URBAN DEVELOPMENT

Background

Emali–Sultan Hamud Municipality is a rapidly growing urban center strategically located along the Nairobi–Mombasa transport corridor. Its position as a transit and trade hub has attracted a vibrant mix of businesses, including transport operators, wholesale and retail traders, hospitality enterprises, agro-dealers, and a large number of Micro, Small, and Medium Enterprises (MSMEs). These enterprises form the backbone of the local economy, providing employment, supporting livelihoods, and driving day-to-day economic activity within the Municipality and its surrounding hinterland.

Like many emerging municipalities in Kenya, Emali–Sultan Hamud is experiencing increasing urbanization characterized by population growth, expansion of informal settlements, rising demand for infrastructure, and pressure on urban services such as water, sanitation, waste management, markets, and transport systems. The private sector plays a critical role in responding to these demands through investment, innovation, and service provision.

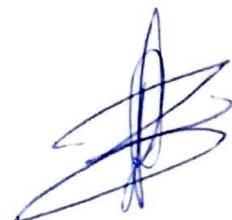
Nationally, the private sector contributes significantly to Kenya’s economy and is central to the country’s development agenda under Vision 2030 and the Kenya Kwanza Bottom-Up Economic Transformation Agenda (BETA). These frameworks emphasize the importance of private sector-led growth, particularly in strengthening local economies, enhancing value chains, and creating jobs—priorities that are directly relevant to Emali–Sultan Hamud Municipality.

However, despite its importance, private sector engagement within the Municipality remains largely informal and unstructured. Interactions between businesses and municipal authorities are often limited to licensing, revenue collection, and compliance processes. This has led to missed opportunities for collaboration in key areas such as infrastructure development, market organization, urban planning, and service delivery.

While the legal framework provided by the Constitution of Kenya (2010) and the Urban Areas and Cities (Amendment) Act, 2019 mandates stakeholder participation—including private sector representation in municipal boards—practical mechanisms for structured engagement at the municipal level are still evolving. As a result, private sector actors in Emali–Sultan Hamud are not consistently integrated into decision-making processes, limiting their potential contribution to the Municipality’s growth and transformation.

Development of the Framework

The Private Sector Engagement Framework (PSEF) has been developed to respond to these challenges by providing a structured approach to collaboration between the Municipality and the private sector. The framework draws from national best practices and lessons learned from



Princip...

counties across Kenya, while being adapted to the specific socio-economic and institutional context of Emali–Sultan Hamud.

The development process involved consultations with key local stakeholders, including business owners, market associations, transport operators, youth and women entrepreneurs, municipal officials, and community representatives. Engagements with national private sector bodies such as the Kenya Private Sector Alliance (KEPSA) and the Kenya Association of Manufacturers (KAM) further enriched the framework with broader insights and practical approaches.

The resulting framework aligns with existing laws and policies while introducing clear, practical mechanisms for engagement that are accessible and relevant to local actors within the Municipality.

Legal and Policy Alignment

The framework aligns with Kenya’s legal environment, including:

- The 2010 Constitution, which underscores public participation.
- County Government Act, 2012, promoting public-private partnerships.
- Urban Areas and Cities (Amendment) Act, 2019, mandating private sector participation and establishing mechanisms such as citizen forums.
- Public Finance Management Act, 2012, emphasizing participatory budgeting.
- Access to Information Act, 2016, ensuring transparency.

These laws support the institutionalization of engagement mechanisms, mapping private sector actors, and integrating their contributions into urban planning, budgeting, and development processes.

Objectives and Approach

The primary aim of the PSEF is to provide county governments with a standardized approach to engage the private sector systematically. It seeks to increase private sector participation, improve urban policy alignment with private needs, foster collaboration, and leverage private resources for infrastructure and service delivery. The framework promotes evidence-based, inclusive, and transparent engagement, creating mutual trust and shared responsibility.

The approach is anchored on:

- Alignment with Kenya’s legal and policy frameworks.
- Clear roles, responsibilities, and processes for public and private actors.
- Leveraging existing urban governance structures and tools, including the World Bank’s Toolkit for Competitive Counties.
- Promoting intergovernmental cooperation and stakeholder inclusivity.

Principles

Core principles guiding the PSEF include:

- **Legal and Policy Alignment:** Compliance with Kenya's constitutional and statutory mandates.
- **Purpose-Driven Engagement:** Clear goals with defined outcomes.
- **Inclusivity & Equity:** Broad stakeholder representation, including informal sector, women, youth, and marginalized groups.
- **Intergovernmental Collaboration:** Effective coordination across all levels of government.
- **Transparency & Accountability:** Open processes and performance monitoring.

In summary, this framework aims to transform urban governance by institutionalizing structured private sector engagement—fostering vibrant, sustainable, and inclusive urban economies aligned with Kenya's long-term development goals.



Rationale for a Framework for Public-Private Engagement for Urban Development

Kenya's constitution and legal frameworks recognize the private sector as a key player in urban development, driving the urban economy, creating jobs, generating revenue, and partnering in service delivery. Municipalities are tasked with creating inclusive, competitive business environments through functions such as urban planning, development control, business and trade regulation, land surveying, enterprise and skills development, and infrastructure services like roads, drainage, water, and sanitation. Engaging the private sector is essential to these processes and can lead to attracting and retaining private sector investment, driving job creation, stimulating economic growth, and increasing local tax revenue for further urban infrastructure development and provision of services. Private sector participation also allows municipalities to leverage private sector capital, technology, and innovation, forming partnerships that improve service delivery and infrastructure.

Municipal boards are legally required to establish mechanisms for active public participation in urban management. The Urban Areas and Cities (Amendment) Act, 2019 (UACA) mandates boards to convene citizen forums, including representation from the private sector and informal business associations, to engage residents in city affairs. These forums provide a platform for aligning policies and investments with the needs of the private sector and local residents.

Effective engagement creates a cycle of mutual benefit, driving vibrant urban economies and prosperous societies. However, there has been minimal guidance on structuring these engagement processes. It is therefore expected that this Private Sector Engagement Framework will offer a standardized, systematic approach for Municipal boards to partner with the private sector, supporting participatory urban development and fostering competitive, inclusive business environments.

Current practice

Prior to the enactment of the Kenya Constitution 2010, local authorities engaged the private sector primarily through trade licensing, fee collection, and bylaw enforcement. Private sector participation in decision-making was minimal, and the relationship between local authorities and businesses was often adversarial and transactional. Underinvestment in strategic areas and poor service delivery built mistrust and alienated the local business community.

The post-2010 constitutional, legal, and policy framework now recognizes the private sector's critical role in urban development. County governments and Municipal boards are mandated to facilitate urban planning, development control, economic infrastructure, and local economic growth. Private sector representation in governance and decision-making has expanded, creating opportunities to leverage private sector contributions for growth and development.

However, engagement at the Municipal board level remains inconsistent. While county-level engagement has improved over time, Municipal boards have yet to establish formal, regular and structured mechanisms for private sector involvement. The legacy of mistrust persists, with the private sector often being a passive participant rather than an active partner in urban planning, development and service delivery. This situation limits the realization of the full potential benefits of public-private collaboration.

Implementation of KUSP II

Kenya is implementing phase two of the Kenya Urban Support Program for 2023-2027 plan period. The program development objective is to strengthen the capacities of urban institutions through improved delivery and resilience of urban infrastructure and services, enhanced private sector engagement in urban planning, and to support the transition of refugee camps into integrated host community and refugee settlements. The program has five main result areas namely:

RA 1: Strengthened institutions for urban service delivery, strengthening the management of urban institutions for improved urban service delivery, through inter alia, institutional capacity building, enabling the delegation of functions, enhancing of municipal human resources management, and financing, and improving citizen participation.

RA 2: Integrated planning for inclusive¹ and resilient urban areas. Enhancing the planning and development control capacity of urban institutions, through inter alia, strengthening of planning instruments, including climate change and gender considerations, and improving their implementation and monitoring through appropriate development control tools and capacity.

RA 3: More inclusive² and resilient urban services and infrastructure. Improving access to urban infrastructure and services, as well as strengthening their resilience and sustainability through inter alia, enhancing the capacity for planning, design and implementation of climate-resilient and inclusive urban investments, developing asset registries and management plans, and enhancing the operation and maintenance budget of urban institutions.

RA 4: Improved private sector engagement. Enhancing the private sector's contribution to urban planning and development through inter alia, supporting the development and implementation of an engagement framework and promoting urban development plans being informed by dialogue with the private sector.

RA 5: Improved integrated development for refugees and host communities. Supporting the transition of refugee camps into integrated host community and refugee settlements, through inter alia, the establishment and capacity building of unified urban institutions to lead joint planning, infrastructure and service delivery and economic activity and social cohesion interventions.

The Specific Objectives of Result Area 4 are:

- 1) To provide the Municipal board with access to up-to-date business enterprise data to facilitate engagement and planning
- 2) To support Municipal board, identify and promote formation of business enterprise organizations/association that will be vehicles for private sector engagement.
- 3) To provide guidance on establishing public private dialogue forums and incorporating dialogue outcomes to relevant planning documents with specific focus to providing inputs to IDePs
- 4) To provide the Municipal board with diagnostic toolkit for carrying out local economy and private sector diagnostic to enhance understanding opportunities for promoting urban development



KUSP II will be assessed through three Annual Program Appraisals (APAs). The APA 1 was carried out in 2024. The APA 2 is expected by August 2025 and the APA 3 by or about August 2026. According to the Minimum condition number 8 (MC8) by August 2025, all participating urban areas are expected to be operating within the county government's Private Sector Engagement Framework to promote public private dialogue. The counties must have an up-to-date online business enterprise database for each participating board (updated annually). According to Performance standard (PS11) all counties are expected to be implementing a county government's Private Sector Engagement Framework where participating Municipal board has developed a database of local businesses that is also updated the database on an annual basis. Similarly, the counties must have held at least two public-private dialogue (PPD) consultative meetings during the past 12 months and reports on meeting's deliberations and private sector input to inform urban development plans are prepared and discussed.

It is also expected that by the time of APA 3 in August 2026 under MC6 all Municipalities will have updated a comprehensive IDeP and Physical and Land Use Plan. The Urban IDeP includes principal findings and proposals of private sector dialogues and diagnostic (from APA2). Under MC8, the participating urban area operates within the county government's private sector engagement framework to promote public-private dialogue and the county government has developed an engagement framework to promote public-private dialogue.

Under PS11, all municipalities are expected to be implementing the county government's private sector engagement framework and the participating Municipal board has: completed a comprehensive private sector needs diagnostic and publicly disclosed the private sector needs diagnostic.

The preparation of this Private Sector Engagement Framework and its Toolkit is guided by both the existing policy and legislative framework. The preparation of these documents was participatory, ensuring appropriate engagement of stakeholders and more so the 45 counties and 79 Municipalities engaged in the implementation of KUSP II.

Legal Basis and Alignment to Existing County Frameworks and Processes

This Private Sector Engagement Framework aligns with existing county and urban governance structures, planning, and budgeting processes. It ensures that engagement outcomes are integrated into county policies, legislation, programs, and budgets. The PSEF also supports the monitoring of results and performance through established county and urban accountability frameworks.

Private sector involvement in county and urban governance is a legal requirement in Kenya. The relevant key legislations include:

- **The Kenya Constitution, 2010:** Establishes public participation as a fundamental governance principle.
- **County Government Act, 2012:** Provides the legal framework for county governance and encourages public-private partnerships and dialogue for sustainable development.
- **Urban Areas and Cities (Amendment) Act, 2019:** Mandates private sector participation in urban governance by nominating members to Municipal boards and establishing citizen forums for resident engagement in urban affairs. The **UACA Draft Regulations, 2022** require boards to map and accredit business associations, maintain registers, and build capacity for effective engagement.

- **Public Finance Management Act, 2012:** Requires public participation in county budget-making processes.
- **Access to Information Act, 2016:** Guarantees public access to information held by public entities including county governments. County assemblies have standing orders detailing procedures for public participation in legislative processes. Additionally, specific county policies further define methods for public engagement and private sector collaboration.

Objective of the framework

This PSE framework seeks to provide county governments a common approach to guide Municipal boards engaging with the private sector in urban planning to create competitive, inclusive and resilient urban areas. It serves as a foundation for mapping local businesses, understanding the business environment, and fostering structured, evidence-based engagement that shapes participatory urban policies and plans. The intended outcomes include:

- Increased private sector participation in urban planning and development;
- Better alignment of urban policies with private sector needs;
- Enhanced collaboration between Municipal boards and private sector entities;
- Leveraged private sector expertise and resources for infrastructure and service delivery;
- and
- Trust-building between public and private actors, fostering commitment to shared urban development goals.



Approach to the PSE Framework

The framework:

1. Aligns with Kenya's constitutional, legal, policy, and institutional framework governing devolved urban governance, administration, and service delivery. It operationalizes the UACA (Amendment) Act, 2019, and its Draft Regulations, 2022, institutionalizing engagement structures, accountability, and action implementation.
2. Anchors on the legal basis for private sector engagement in urban governance, complementing existing county and urban policies and citizen engagement structures. **Annex 02 provides a detailed outline of the framework's alignment with urban governance systems.**
3. Defines the roles of public and private sector actors, engagement structures, and processes. It is inclusive, ensuring representation and accessibility for both formal and informal private sector actors. It brings together stakeholders to facilitate co-design, coordination, and collaboration necessary for creating competitive and inclusive urban environments.
4. Components are interconnected, building on existing county and urban governance structures to inform planning, budgeting, investment, service delivery, and accountability.
5. Guides Municipal boards in organizing the private sector for effective engagement, identifying needs, and convening structured dialogue forums. These forums help prioritize and co-design interventions, which are then integrated into policies, legislation and regulations, plans, and budgets, with built-in performance and accountability monitoring.
6. Leverages the World Bank's Toolkit for Competitive Counties, using its analytical tools to identify and categorize interventions to improve business environments and foster enterprise growth and job creation. This focuses on four policy levers available to counties and urban areas: institutions, infrastructure, skills, and enterprise support.

Principles of the PSEF

The principles of the PSEF include the following:

1. **Alignment with relevant policy and legal frameworks:** Adheres to constitutional, legal, and policy requirements for private sector engagement in governance and urban development;
2. **Purpose-driven engagement:** Ensures that all engagements are goal-oriented, resulting in clear collective actions and measurable outcomes within a specified time frame;
3. **Inclusivity and equity:** Guarantees that engagement processes are inclusive, accessible, and equitable, ensuring no stakeholder is left behind in both process and outcome;
4. **Intergovernmental collaboration:** Promotes effective coordination and cooperation across all levels of government, aligned with devolved functions and principles of intergovernmental collaboration; and
5. **Transparency and accountability:** Upholds transparency through public disclosure of processes and decisions, ensuring accountability for all actions taken.

Key Actors and Roles

Based on the literature review, field visits and stakeholders' consultations, the key actors and their roles are defined in Table 2. However, each county framework should define the relevant stakeholders and actors based on how they would be engaged.

Table 2: Key actors and roles

Actor	Roles and Responsibilities
National Government	<p>Kenya National Bureau of Statistics (KNBS): The Kenya National Bureau of Statistics has the responsibility of coordinating the National Statistical System (NSS). KeSIC developed by the Ministry of Labour and Social Protection and KNBS for statistical purposes for business coding system³ provides a comprehensive framework for categorizing businesses based on their primary activities or industries.</p> <p>Medium and Small Enterprises Authority (MSEA): The Authority is domiciled in the Ministry of Co-operatives and Micro, Small and Medium Enterprises (MSME) Development. It coordinates, harmonizes and facilitates the integration of various public and private sector activities, programmes and development plans relating to MSEs. This includes registration of micro and small enterprises (MSEs) associations, capacity building, supporting market access and infrastructure development, access to affordable credit, and MSE centers of excellence. It regulates, develops, and promotes MSEs.</p>
County Government	<p>County Executive: Assists in planning, adopting, and reviewing Integrated Development Plans (IDePs), ensuring alignment with county and national policies and strategies. Appoints Municipal board members through a competitive process.</p> <p>County Executive Committee Member (CECM): Appointed by the governor to coordinate board functions and approve urban development plans.</p> <p>County Assembly (CA): Approves Municipal board appointments, county plans, IDEPs and Municipal board budgets, and oversees urban development policies and regulations.</p> <p>County Revenue Boards responsible for county revenue management gather data on the private sector and have data analytics and statistical capacity.</p> <p>County Investment Authorities conduct research, investment promotion and outreach activities.</p>
Municipal board	<p>Implement the PSE Framework, incorporating activities into IDEPs, annual plans, and budgets. Oversees urban administration in executing these plans. The Municipal manger ensures the PSEF contains a performance framework, manages implementation and reports on PSEF activities.</p>
Private Sector	<p>Private Sector: Engages in dialogue with Municipal boards to influence policy, urban planning, and investment priorities. Offers resources, technology, and</p>

	<p>expertise to enhance infrastructure and service delivery while ensuring alignment with business growth opportunities.</p> <p>Informal Businesses: Represent over 80% of MSMEs, generating up to 70% of jobs, particularly for women and youth. Their role is to actively participate in dialogue and help identify urban development needs, policies and investment opportunities that support business growth. Often unregistered, they rely on membership organizations for collective representation and engagement with Municipal boards.</p> <p>Formal Businesses: Ranging from small to large enterprises, including multinational companies, their role is to actively participate in dialogue and help identify urban development needs, policies and investment opportunities that support business growth.</p> <p>Business Associations: Act as intermediaries for collective private sector interests, focusing on policy advocacy, promotion, and standardization. They organize engagement with Municipal boards to ensure private sector priorities are represented.</p> <p>Umbrella Organizations: National bodies like Kenya Private Sector Alliance (KEPSA), Kenya Association of Manufacturers (KAM), Kenya National Chamber of Commerce and Industry (KNCCI) and Central Organization of Trade Unions (COTU) bring together business groups for enhanced participation, coordinated advocacy and policy influence, playing a key role in shaping the policy and regulatory environment, strategic urban initiatives and investment decisions.</p>
<p>Other State and Non-State Actors</p>	<p>Professional Associations and Research Institutions: Provide technical expertise through surveys, research, and data analysis to guide urban planning and policymaking.</p> <p>Dialogue Partners: Decentralized ministries, regulatory agencies, and development agencies collaborate with Municipal boards to support the implementation of policies, regulatory reforms, and capacity building for urban development. They also facilitate coordination between national and local government functions.</p> <p>Non-Governmental Organizations (NGOs) and Civil Society Organizations (CSOs): Advocate for issues such as gender equity, climate action, environmental protection, social and economic inclusion.</p> <p>Residents' associations: Resident associations represent important organized urban constituents and stakeholders residing and engaging with and contributing to the urban economy within the municipality.</p>

Benefits of adopting the Private Sector Engagement framework

It is appreciated that numerous formal and informal private sector players in every county are involved in diverse economic activities. It is therefore anticipated that adoption of a Private Sector Engagement Framework will not only enhance their involvement in the planning of the urban areas but also help stimulate additional investments that contribute to socio-economic development and thus GDP. Some of the additional benefits are summarized below:

1. **Institutionalized engagement:** Shifts Municipal board from fragmented, transactional interactions with the private sector to structured, consistent engagement in governance and decision-making. This fosters mutual understanding, aligns priorities, enhances policy effectiveness, encourages formalization, improves compliance, and boosts private sector contributions to the local economy, ultimately creating more jobs;
2. **Knowledge and resource sharing:** Leverages private sector expertise in research, technology, management, and innovation to enhance public sector efficiency and productivity, stimulating mutual learning;
3. **Clarifies roles and responsibilities:** Clearly defines the roles of county governments, the municipal board, the private sector, and other stakeholders, fostering commitment, accountability, and improved performance through shared goals;
4. **Strengthens trust and cooperation:** Promotes collaboration by breaking down barriers, fostering trust, and building a social contract that supports reform implementation and compliance;
5. **Reduces information gaps:** Bridges knowledge and information gaps between the public and private sectors, leading to more informed decision-making and efficient cooperation; and
6. **Builds partnerships:** Facilitates partnerships by deepening the understanding between the Municipal board and the private sector, leading to the identification of opportunities, resource mobilization, and risk-sharing to enhance urban development and service delivery.

Components of the PSEF

The following are components considered as essential building blocks for effective engagement with the private sector for urban planning and development and inclusive, competitive business environments:

1. **Private sector database:** Access to up-to-date data on the composition of the private sector to facilitate targeted engagement and provide data for economic and statistical analysis to inform urban policy and planning;
2. **Private sector diagnostic:** Diagnostics to assess the business environment, identify constraints, and propose interventions. This may involve the use of existing tools like the **World Bank Toolkit for Competitive Counties** to analyze and define institutional and regulatory frameworks, infrastructure, skills, and enterprise interventions;
3. **Public-private dialogue forums (PPDFs):** Regular, structured dialogues with private sector actors to align policy and investment priorities. The PPDFs will inform annual urban plans and investment priorities and provide feedback loops for continuous improvement. Municipal boards should encourage business entities to affiliate and form/join business associations, which apply for accreditation, allowing for more structured engagement and credibility;
4. **Capacity building and outreach:** To build capacity of the private sector.
5. **Communication and feedback channels:** To facilitate two-way communication for inclusive and continuous dialogue; and



6. **Institutional arrangements and resource framework:** To ensure effective and efficient implementation of the PSEF, institutional arrangements, coordination and resource (human and capital) allocations are critical.

The details of the components are provided below:

Private sector database for the Municipality

To engage effectively in urban planning and development, the municipality contacts of the businesses operating within their areas. This requires collecting, maintaining, and analyzing business data to gain insights into their organization, interests, influence, and overall contribution to the local economy.

The data is necessary for Municipal boards to better engage the private sector players in dialogue and action. The data supports outreach, communication, and relationship-building with the private sector.

Sources of data: The municipality shall collaborate with other County government departments who collect and store this data in the performance of their respective functions to get key data required. Of significant relevance is the county revenue departments, which gather and store business enterprise data during business and trade permitting process in the Single Business Permits (SBP) database. Other databanks include property rolls and land registries.

The SBP database offers a primary source of business data on licensed businesses that can be shared with Municipality as an initial basis for their private sector databases. The county departments responsible for the SBP data should grant Municipality access to disaggregated data specific to their jurisdictions. To facilitate this access, it may be necessary for the county SBP application forms and/or online platforms to be modified:

1. To incorporate a field to capture the urban area (city or municipality) of operation through a standard dropdown list of all urban areas to facilitate data disaggregation and sharing to the respective urban area⁴. While the business location/address (in some cases GIS coordinates) is included fields for urban area i.e., the city/municipality of operation are not as these are relatively new administrative jurisdictions.

Other data fields which may be incorporated to enrich the information gathered on business entities to better engage in dialogue and action include geo-location (GIS coordinates), years in operation, number of employees, business affiliation. See **Annex 03** for the list of fields already in the SBP application form and additional fields suggested.

2. To establish data access protocols that allow Municipality access to relevant disaggregated business data on entities within their jurisdiction.

County departments that can serve as data sources include departments responsible for public participation that routinely map, gather and store data on the local citizens including the private sector, both formal and informal. Departments of trade and cooperatives also possess valuable

data on businesses and trade associations and cooperatives captured in the performance of their functions.

Municipal revenue boards and investment authorities actively collect and hold valuable data on the private sector and business entities. These institutions also have research and data analytical capacity to support Municipal board in establishing their databases and analyzing the data for engagement and planning.

Local Chambers of Commerce, trade associations and organized groups: The Kenya National Chamber of Commerce and Industry (KNCCI) has well-established and active devolved chapters in all counties. These local chapters have an active membership and data that can be shared with Municipal boards on local business entities. In addition, there are formal and informal trade and business associations and organized groups in the counties with local membership including special interest groups such as refugees, women, youth and persons with disability. These groups can all provide valuable sources of data for Municipal boards.

Primary data collection: Municipal board may also collect data through business enterprise surveys to ensure they have comprehensive data on both formal and informal businesses to ensure inclusive engagement.

National institutions: Kenya National Bureau of Statistics publishes County Statistical Abstracts

Standardized coding of business categories: A standardized coding system for business categorization is necessary to facilitate uniformity in business categorization. For statistical purposes, the national government through the KNBS uses the Kenya Standardized Industry Classification (KeSIC) system⁵, a comprehensive framework for categorizing economic activities that can be applied to categorize businesses based on their primary industry and economic activity. Counties should adopt standardized coding system for business categorization to ensure uniformity in business categorization. This standardized approach will:

- a) Improve the efficiency and accuracy of business data analysis and management, leading to more informed decision-making and resource planning.
- b) Support vertical and horizontal data aggregation, leading to better alignment, harmonization, and integration of urban policies and plans, and enable consistent statistical and economic reporting across urban areas and counties. It facilitates implementation of the County Licensing (Uniform Procedures) Act 2024, which seeks to harmonize licensing, regulations, procedures and requirements and fee structures across counties.
- c) Allow for accurate segmentation and clustering of businesses by sector, industry, and activity, facilitating more targeted engagement.
- d) Enable comparative analysis of businesses and markets across counties.
- e) Identify trends and patterns to inform policy development, planning, and resource allocation.

Data management and visualization: The Municipal board shall create and maintain database management systems. This may happen by employing geo-mapping and data analytics tools to facilitate visualization of data through maps and charts to support clustering for targeted engagement and for planning and targeting of services and investments. This data management system may provide contextual and geographic perspective, support analysis of patterns i.e., trade,



supply chains, infrastructure and service delivery usage and demands, or the identification of areas of economic growth and potential investment. It may also provide insights on private sector resources that the Municipal board can tap into and leverage through partnerships. Boards may explore partnerships with data analytics companies to assist in providing customized solutions, including on data extraction, analysis, mapping and visualization.

Data privacy and security: Municipality shall comply with the **Data Protection Act, 2019** to ensure data security and privacy. While particular information from the database should be made publicly accessible to stakeholders via secure portals, this should be in accordance with the **Access to Information Act, 2016**.

Public accessibility to private sector database: The Municipality shall provide access to information on the private sector database by publishing data online on their websites, in line with data protection legislation and regulations. This is expected to foster open, inclusive engagement, networking and to demonstrate local market growth through increased contribution to urban development and growth.

1. Private sector diagnostic

Private sector diagnostics are conducted to gain a deeper understanding of the local business environment, market dynamics, and key constraints affecting private sector competitiveness. They unlock private sector-led growth and investment towards accelerating economic growth within an appropriate policy and regulatory regime. They help to identify untapped private investment opportunities and associated barriers. They also facilitate identification of sector opportunities based on their potential to spur private investment, create jobs, generate domestic revenue, and foster sustainable, inclusive growth. Private sector diagnostics help to prioritize the most impactful actions that can boost private sector growth, while delivering on broader development goals.

The municipality shall conduct private sector diagnostic to assess the local business environment, the broader economic landscape, and its impact on business operations, identifying enablers and challenges. It is a crucial step in improving the local business environment and fostering private sector-led growth.

The diagnostic can be part of a broader local economy assessment and helps shape responsive interventions. The resulting reports inform discussions between Municipal boards, the private sector, and other stakeholders, guiding urban planning, investment prioritization, and the preparation or review of policy and regulatory instruments. Additionally, diagnostics can focus on specific industries or sectors of strategic importance or high growth potential.

The process involves **desk research** and **business/enterprise surveys**, and **consultative sessions** with the private sector and other stakeholders to assess the local business landscape.

The World Bank's **Toolkit for Competitive Counties in Kenya**⁶ provides an analytical framework to identify needs and design interventions across four key policy areas:

1. Institutions and Regulations:

- Assesses the effectiveness of local institutions, policies, and regulations.
- Reviews business registration, licensing, and permitting processes.
- Evaluates the enforcement of property rights and contract mechanisms.

2. Infrastructure and Land:

- Reviews the state of infrastructure (transport, utilities, waste management) and identifies gaps affecting business growth.
- Analyzes land use policies and zoning regulations to evaluate their impact on investment and business activity.

3. Skills and Innovation:

- Identifies skills gaps in the labor market and assesses vocational training programs.
- Evaluates the level of innovation within the business community and available support for research and development.

4. Enterprise Support and Finance:

- Analyzes the availability of financial services (banking, microfinance, venture capital).
- Reviews enterprise support programs and business development services.
- Identifies barriers to finance and explore innovative solutions for small and medium enterprises (SMEs).

The diagnostic findings shall be made publicly available and will inform **public-private dialogue forums** as well as the preparation and review of the private sector related policies and regulations. In addition, **it informs the preparation of the Integrated Development Plans (IDePs), Annual Urban Plans, and budgets.** The initial diagnostic serves as a baseline and will be reviewed and updated annually during public-private dialogue forums to assess progress and guide future interventions.

County governments should support boards in carrying out diagnostics and establish collaboration and partnerships with MSEA, KNBS, KNNCI and the local county chapters, KEPSA, KAM, other associations and research agencies that carry out private sector surveys and research.

2. Public-private dialogue forums (PPDF) for urban planning and development

The Municipal board shall establish **regular, purpose-driven dialogue** forums with private sector actors to better understand the business environment, the private sector, their needs and the barriers they face and the opportunities to develop an inclusive, competitive urban areas. The Public Private Dialogue Forums (PPDF) should bring representatives from both formal and informal businesses, business associations and other dialogue partners and stakeholders⁷, together to share and gather information, understand needs and opportunities, and agree on priorities that inform urban development plans and the development of competitive urban areas.

PPDF serve as open, inclusive platforms where local private sector needs are aligned with public sector mandates, resources, and capacity. The meetings should be structured and scheduled to build consensus, set shared objectives, and prioritize interventions for integration into urban plans, enhancing the efficiency and effectiveness of public sector support for business competitiveness and economic growth.



The outcome of these dialogues shall inform the preparation, implementation, and review of **Integrated Development Plans (IDePs)**, annual urban area plans and budgets, land use development plans, building and zoning regulations, development control, and other regulatory instruments.

It is by holding regular dialogue forums that a feedback loop can be established to continuously improve policy design, implementation, and results monitoring. This feedback process fosters mutual commitment, accountability, and shared responsibility for outcomes. It also supports continuous learning and adaptive management, addressing emerging opportunities, challenges, and bottlenecks, helping to build agile and resilient businesses and urban communities.

Accreditation of business associations: Business associations serve as important channels for Municipal boards to engage businesses in structured dialogue on areas of mutual interests, to set common objectives and build collaborative relationships. Currently, private sector formal business registration of associations is done by MSEA. It would therefore be useful for the county and urban area managers to obtain information from MSEA to facilitate the mapping of these associations. This would also help to understand the extent of membership (percent of members), the governance structures to determine the level of representation, inclusion and accredit the legitimate associations as anticipated in the draft UACA Draft Regulations, 2022.

Counties and Municipal boards should encourage business entities, including informal sector enterprises, to affiliate and form or join business associations or other membership organizations based on shared interests, industry, or geographic location. Business associations and member organizations should be encouraged to apply for accreditation with the county or Municipal board as per the **UACA Draft Regulations, 2022** which provides guidance on this accreditation process. The Municipal boards should maintain a register of accredited associations to streamline outreach and engagement efforts.

Accreditation formally recognizes associations as legitimate representatives of their members, empowering them to engage with city and municipal boards to lobby and advocate for their perspectives and proposals. Accreditation requires that the business membership organizations meet standards of professionalism, governance, and ethical conduct, lending credibility and fostering trust in their ability to effectively represent their members' interests.

Urban area PPDF structure:

1. **Champion:** The board member representing the private sector or chairing the committee responsible for the private sector should champion the PPDF.
2. **Secretariat:** The board shall establish a secretariat led by the Municipal manager (who will act as secretary of the forum) to manage the forum's operations. Private sector representatives with relevant skills may contribute and provide technical and administrative support.
3. **PPFD membership:** The board shall define membership criteria that is inclusive and adequately reflect their local private sector. The private sector database and the register of accredited business associations will help inform the structure. Membership should comprise accredited associations representing both formal and informal enterprises, cooperatives and special interest business groups such as women, youth and persons with disability, major business players and stakeholders such as residents' associations, financial

institutions. It is expected that Associations will be responsible for nominating representatives to the forum.

Other dialogue partners, such as relevant county departments, ministries, development agencies, research institutions, civil society organizations (CSOs), and non-governmental organizations (NGOs), may be co-opted into the forum as may be needed.

4. **Leadership:** A leadership structure shall be created with the board member responsible for the PPDF as chair of the forum and a private sector representative as co-chair.
5. **Working groups or committees** may also be created, aligned with local industry sectors or policy priorities.

Organizing the PPDF: The municipality already engage the business community in budget and policy dialogue on an ad-hoc basis. For structured dialogue, the board should cluster businesses and associations by sector or industry for example the transport sector, tourism or hospitality sector or residents' associations. These clusters should be encouraged to come together to define common needs and priorities. Thereafter, representatives from the clusters should be brought together in a plenary PPDF to share their priorities and dialogue with the board and other dialogue partners to agree on the collective priorities to be integrated into urban plans and policies.

PPDF calendar of meetings: **Plenary PPDF** shall be held at least twice a year, timed to influence key decision-making processes in county and urban planning and budgeting. Cluster and committee meetings can be held as required and recommendations presented at the plenary for decision making. The Municipal manger will prepare and publish the calendar and meeting agenda, which will involve discussions on priorities for each policy area.

Ad-hoc meetings may be convened as may be needed to review policy and regulatory proposals.

Meeting format: The agenda and meeting format should promote open dialogue and exchange of local knowledge, expertise, and evidence-based insights. The discussions should be informed by diagnostic reports, local economy assessments, urban area plans and sectoral studies, to ensure that the recommendations are grounded in local realities.

Minutes, action plan and follow-up: Minutes shall be prepared after each forum, reporting on the main agreements and recommendations. The Minutes should be presented and considered during citizen fora during the preparation and review of the IDEP, the urban area annual strategic plan and budget estimates.

The Municipal manager is responsible for following up on actions by the board and for reporting back to the PPDF plenary on the board's actions and decisions. If interventions require action from the county government or other public agencies, the manager should coordinate with the relevant actors and provide updates.

Monitoring and Accountability: The Municipal manager is responsible for monitoring the progress of the PPDF action plan, tracking follow-up actions, maintaining records, assessing outcomes, and evaluating the effectiveness of the dialogue. This process will support continuous performance improvement.

Linkage to the citizen fora: As outlined in the **UACA (Amendment) Act, 2019**, Municipal board are required to hold citizen fora, providing a platform where representatives of urban residents, the Municipal board, and relevant agencies can engage in dialogue on key urban development issues. These fora serve to discuss shared concerns, agree on goals, and set priorities.



Membership includes representatives from business associations, registered associations of the informal sector, and other urban resident groups.

The priorities, resolutions, and submissions from the **PPDF** will be presented by accredited business association representatives at the citizen fora for further consideration by the Municipal board. This structured approach ensures that the collective views and interests of the private sector are effectively communicated and integrated into the broader citizen engagement process. See Annex 04: Suggested calendar for two annual forums aligned to the Municipal board planning and budgeting calendar

3. Capacity building and outreach

To ensure effective implementation of the framework, the Municipal board shall develop a comprehensive **capacity-building and outreach strategy**. As per the **Second Schedule of the UACA (Amended 2019)**, Municipal boards are required to build the capacity of residents to enable their participation in urban affairs, as well as to foster community engagement among board members, town committee members, and staff. Resources must be allocated annually to support these activities.

Municipal board Capacity: The Municipal board shall assess its current capacity, identify gaps, and create a capacity-building plan. This plan will require investments in staff training, workshops, technical assistance, and necessary tools like software and equipment to support engagement, communication, and outreach. Developing competencies for collaboration and knowledge-sharing will be essential.

Private sector capacity: For effective engagement, the private sector needs a clear understanding of urban governance, the roles and responsibilities of public and private sectors, and how to engage in the planning process for mutual benefit. The Municipal board shall strengthen the private sector's capacity through targeted outreach and training activities.

The board shall raise awareness among businesses and provide training to business associations and clusters so they can engage effectively in municipal or city affairs. With support from the county government and MSEA⁸, the boards should develop tools such as:

1. Guides to support associations establish leadership structures, governance and decision-making processes. Management tools i.e. templates for agendas, minutes, and reports.
2. Guides to key urban governance processes and how to engage with them, including timelines for county and urban planning timelines.

The Municipal manager is responsible for planning and budgeting the capacity-building activities for the Municipal board, administration, business associations, and clusters. This includes organizing training sessions and procuring consultants for specialized training in urban governance, public-private engagement, and governance structures for business associations that ensure inclusivity. This includes the development of tools to help them with governance, meeting facilitation, decision-making processes, member outreach, and record-keeping to ensure inclusive and effective participation.

4. Communication and feedback channels

Establishment of clear, accessible channels for timely, two-way communication and information dissemination is essential for effective engagement efforts. The municipal board shall leverage technology to ensure efficient communication flow and equitable access to information. The Municipal manager should oversee regular communication with private sector organizations, ensuring timely updates and continuous engagement. Key information such as information on the public-private dialogue forum, the calendar, agenda, meeting notices, minutes and reports, information and diagnostic reports on the private sector in the urban area, shall be published on the municipality's website.

5. Institutional arrangements and resource framework

While the specifics will be based on local context and institutional arrangements, the following institutional roles and resources are suggested to effectively operationalize the engagement framework:

Municipal board:

1. **Municipal board Chair** has the overall responsibility for overseeing the implementation of the framework.
2. Chair of the **Board Committee (or Sub-Committee)** responsible for private sector engagement, business environment, urban economy, or trade is responsible to champion the framework.

Urban Administration:

Municipal Manager:

- 1) Responsible for setting up the secretariat, planning and managing engagement activities, coordinating implementation of action plans, tracking and monitoring results, and reporting progress against established performance targets and engagement indicators.
- 2) Serves as the **secretary and facilitator** of PPDFs
- 3) Responsible for planning capacity-building and outreach activities, and maintaining two-way communication.

Municipal Department Heads and Officers responsible to implement actions relevant to their department as assigned.

Municipal Planner role

Key Relevant Skills and Competencies

- 1) GIS, data analytics and database management.
- 2) Advocacy, partnership building, and negotiation.
- 3) Communication, stakeholder management, and organizing and coordinating PPDFs.
- 4) Economic analysis, strategy development, and investment promotion.
- 5) Financial instruments and management.

Operations and Finance

Allocation within the Municipal board annual capital and recurrent budgets for provision of office space, equipment, ICT tools, engagement activities, meetings and travel.

Coordination mechanisms

- Geograph
and
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- 1) Coordination mechanisms to ensure horizontal linkages across urban departments and vertical connections between urban structures, county governments, and relevant Ministries, Departments and Agencies.
 - 2) Multi-sectoral and agency collaboration to foster joint actions to address the transversal needs of the local economy and business environment, which may involve delegated and concurrent functions and shared responsibilities, is essential for collective action.

Partnerships:

Partnership policies, guidelines, and modalities are necessary to leverage private sector expertise and resources to support the successful implementation of the framework.

Enablers for effective and sustained private sector engagement

1. **Policy commitment and accountability:** Adoption of the framework by the county executive. The framework should be anchored in and supported by county policy and legal frameworks and harmonized with local regulations. It should be integrated into county and urban plans, with clear roles and responsibilities and monitoring and performance management frameworks (i.e., with clear targets and indicators embedded in the performance contract of the CEC and urban area boards).
2. **Institutional commitment:** High-level political leadership is essential to champion engagement, ensure adequate, predictable budgetary resources, and hold all stakeholders accountable for implementing reforms and achieving outcomes. The board must commit to its role, delegate responsibilities, and support the urban manager.
3. **Collaboration mechanisms:** Effective collaboration between the county departments and Municipal boards is essential to operationalize the framework and facilitate capacity support, sharing of information and resources for seamless implementation. For example, setting common database structures across all county departments and revenue boards would facilitate data aggregation and sharing. This would improve engagement, not just for urban planning but also support other departments.
4. **Partnerships:** Establishing and strengthening partnerships with external actors such as the local chambers of commerce as key channels for engagement, to facilitate outreach, capacity building, diagnostic surveys and research. County Revenue Boards have data, data analytics and statistical capacity that can be tapped into to support the municipalities in carrying out diagnostics. Investment authorities conduct research, investment promotion and outreach activities.
5. **Allocate adequate resources and staff:** Plan for and ensure the allocation of adequate budgetary resources for engagement activities, and suitably skilled staff to support the urban manager. Technical capacity should align with the demands of private sector engagement and urban development.
6. **Technology and innovation:** Invest in digital tools for data management, mapping, and analytics to enhance the Municipal boards' capabilities for strategic engagement and evidence-informed decision making.
7. **Leverage private sector expertise and innovation through partnerships:** Develop partnerships and outsource tasks to the private sector to capitalize on their expertise. For example, digital technologies for database management and advanced data analytics, such as

Geographic Information Systems (GIS) that enable layered data visualization through maps and charts, and communication technology to support outreach.

8. **Transparency and Accountability:** Set clear goals and objectives for the engagement process, supported by robust monitoring and performance frameworks. Integrate reporting into the Municipal board's strategic plan and ensure public access to all information. Ensure transparent, publicly accessible, and accountable communication channels for two-way information flow.
9. **Inclusive Representation:** Implement guidelines for diverse representation (e.g., 2/3 gender rule, inclusion of youth, persons with disabilities, refugees and other interest groups). Establish open, representative dialogue processes. Complement these forums with strong outreach and communication to avoid information gaps and asymmetry.
10. **Capacity Building:** Provide the necessary staff and resources for capacity building of the Municipal board, administration, and private sector.

Challenges, Risks and Mitigation Strategies

Effective private sector engagement is critical for fostering sustainable and competitive urban areas. However, this process presents several risks and challenges that need to be addressed for successful collaboration and outcomes. By proactively identifying and mitigating these risks, Municipal board can create a favorable environment for private sector participation, driving innovation, efficiency, and inclusive growth. These challenges, risks and mitigation measures are summarized in Table 3.

Table 3: Challenges, Risks and Mitigation Measures

Risk	Mitigation Measures
Private Sector Database	
Unauthorized data access	<ul style="list-style-type: none"> • Implement robust data security measures, such as encryption and access controls. • Ensure compliance with relevant data privacy laws (e.g., Data Protection Act, 2019). • Regularly audit data access logs and security protocols.
Data privacy breaches	<ul style="list-style-type: none"> • Develop a comprehensive privacy policy, shared with all relevant stakeholders. • Educate staff and businesses on data privacy protocols. • Limit access to sensitive data and implement tiered permission levels.
Technological and operational risks: Technological failures and operational inefficiencies undermine engagement	<ul style="list-style-type: none"> • Invest in reliable technology systems and establish regular maintenance schedules. • Provide staff with appropriate training and necessary operational equipment.
Private Sector Diagnostic	

Procurement delay	<ul style="list-style-type: none"> • Ensure engagement activities including the diagnostic exercise is in the urban annual plan and budget of the fiscal year when it is expected to take place.
Limited access to accurate and up-to-date data from businesses	<ul style="list-style-type: none"> • Conduct preliminary data mapping exercises to identify data sources and address data gaps. • Collaborate with business associations to ensure accurate data collection. • Leverage existing databases such as business licensing systems and tax registries to access updated data.
Low response rates or poor participation from businesses	<ul style="list-style-type: none"> • Partner with business associations and chambers of commerce to build trust and encourage participation. • Offer incentives such as showcasing the benefits of diagnostic findings (e.g., improved business climate). • Use multiple data collection methods (e.g., surveys, focus groups, interviews) to ensure broad participation.
Lack of skilled personnel to carry out the diagnostic	<ul style="list-style-type: none"> • Invest in staff training on conducting diagnostics, data analysis, and stakeholder engagement. • Outsource specific technical components (e.g., data analytics) to private sector experts if necessary.
High costs of conducting the diagnostic	<ul style="list-style-type: none"> • Explore partnerships with development agencies and the private sector to share costs. • Break down the diagnostic into phases to spread costs over multiple years if necessary.
Diagnostic results not integrated into policy and planning	<ul style="list-style-type: none"> • Ensure that diagnostic findings are linked to specific policy and planning timelines, such as the preparation of the annual urban development plan. • Establish clear pathways for incorporating diagnostic results into decision-making processes.
Public Private Dialogue Forums (PPDF)	
Poor engagement by the private sector: Long-standing mistrust due to previous transactional, predatory relationships, or political, cultural/social disputes	<ul style="list-style-type: none"> • Conduct targeted communication and outreach campaigns focused on the benefits of engagement. • Establish transparent and accessible two-way communication channels and feedback loops. • Set up oversight, monitoring, and accountability mechanisms to ensure responsiveness. • Publish key information and reports to foster transparency and build trust.
Conflicts of interest between the private sector and Municipal board; or among private sector actors, delaying consensus	<ul style="list-style-type: none"> • Enhance the facilitation, negotiation, and analytical capacity of urban officers to manage and resolve conflicts. • Conduct thorough analysis and assessments to inform dialogues. • Engage external facilitation experts if necessary to mediate and ensure smooth discussions.

<p>Resource risks: Inadequate financial and human capacity to conduct activities</p>	<ul style="list-style-type: none"> • Identify staffing needs and capacity gaps for the PPDF and include them in the Municipal board's staff establishment plan. • Assign qualified and relevant staff to manage engagement activities. • Plan for financial and human resource allocation for capacity building. • Ensure that PPDF activities are incorporated into the Municipal board's annual plan and budget. • Integrate priority interventions identified in the forums into the Municipal board's annual strategic plan and budget.
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Performance and accountability framework

A performance and accountability framework is essential for ensuring that resources are used efficiently and for building trust and confidence among stakeholders. With clearly defined targets, performance indicators and outcomes for each component of the engagement process. These requirements should be integrated into the board's performance management framework. This process provides a monitoring, Evaluation, Learning and reporting mechanism that promotes transparency and accountability for boards to track progress, learn, adapt and improve effectiveness. Annex 05 provides a sample results framework.

PSEF Considerations for Sustainability

1. **Ensure political leadership commitment:** Secure high-level political leadership to champion and advocate for effective engagement. Leadership must ensure the commitment of adequate, predictable budget resources and take responsibility for monitoring, supporting, and being accountable for the reform outcomes.
2. **Strengthen County-Municipal board collaboration:** Establish effective collaboration between the county and Municipal boards to facilitate the sharing of information, resources, and support necessary for seamless implementation.
3. **Allocate adequate staffing and technical capacity:** Plan and ensure the allocation of sufficient and skilled staff to support the urban manager. Technical capacity should align with the demands of private sector engagement and urban development.
4. **Invest in technology and innovation:** Invest in modern digital technologies for data management, mapping, and analytics to enhance Municipal boards' capacity for informed decision-making and strategic planning.
5. **Leverage private sector expertise and innovation through partnerships:** Develop partnerships and outsource tasks to the private sector to capitalize on their expertise, particularly in managing databases and advanced data analytics, such as Geographic Information Systems (GIS) that enable layered data visualization through maps and charts.
6. **Allocate resources for regular private sector diagnostics and dialogues:** Ensure resources are planned and allocated for the continuous conduct of private sector diagnostics and their regular reviews to maintain an updated understanding of the business environment and stakeholder needs.
7. **Embed political accountability in reforms:** Guarantee high-level political accountability for the successful implementation of reforms. This includes integrating targets and performance

indicators into the county performance management framework, such as the performance contracts of County Executive Committee (CEC) member