REPUBLIC OF KENYA

State Department for Housing and Urban Development

MINISTRY OF LANDS, PUBLIC WORKS, HOUSING & URBAN DEVELOPMENT

Second Kenya Urban Support Program (KUSP II)

Project No.: P177048

Credit No.: 7349-KE; 7350-KE; IDA Grant Number E208-KE

Terms of Reference

For

Consulting Services for the Preparation of Municipal Investment Opportunity Packages and Investment Readiness Support for Kisumu, Eldoret, Meru, Ruiru and Kakuma Municipalities in Kenya

(Firm Selection)

CONTRACT NO.: KE-MOTI-566726-CS-QCBS

SEPTEMBER 2026

Client

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1. BACKGROUND AND CONTEXT

1.1 Urbanisation and Municipal Development Context

Kenya is undergoing rapid urbanisation, with urban areas projected to accommodate more than 50 percent of the population by 2050. This growth is driving increased demand for infrastructure, services, and economic opportunities, placing municipalities at the centre of urban development and service delivery. As established under the Urban Areas and Cities Act, municipalities are expected to function as engines of local economic growth and platforms for efficient service provision.

However, most municipalities continue to face significant constraints. These include limited financial resources, weak investment planning and project preparation capacity, and insufficient mechanisms to mobilise private sector participation. As a result, infrastructure and service delivery have not kept pace with urbanisation, and access to services remains uneven, particularly in rapidly growing and underserved areas.

1.2 Private Sector Engagement Framework (PSEF) under KUSP2

In response to these challenges, the Government of Kenya, with support from the World Bank, is implementing the Second Kenya Urban Support Program (KUSP2). Under Result Area 4 (RA4), Private Sector Engagement, the programme aims to strengthen collaboration between municipalities and the private sector to mobilise investment, enhance service delivery, and stimulate local economic development.

To operationalise this objective, KUSP2 has developed a Private Sector Engagement Framework (PSEF) and Toolkit, which provides structured guidance to counties and municipalities on engaging with the private sector through mechanisms such as public–private partnerships (PPPs), investment promotion, and structured public–private dialogue platforms.

Implementation of the PSEF has progressed significantly as observed under the Annual Performance Assessment 2 process. Counties are currently in the process of customizing the framework, and this process has been assessed under the Second Annual Performance Assessment (APA2). At the municipal level, most municipalities have established strong foundations for private sector engagement. These include private sector databases and initial dialogue mechanisms. These efforts have laid an important institutional and procedural foundation for engaging the private sector in urban development.

1.3 KUSP2 Focus on Investment Readiness and Delivery

Despite the progress in establishing frameworks and engagement mechanisms, actual private sector participation in infrastructure and service delivery remains limited. Key constraints include weak municipal capacity for project preparation, lack of investment opportunity pipelines, fragmented engagement structures, and limited institutional readiness to structure and manage private sector participation. However, it is acknowledged that actual private sector participation in development is a process that requires continuous capacity building efforts,

In response to the above constraints, KUSP2 is refocusing Result Area 4 towards a more outcome-oriented approach centred on readiness for municipal investments. The new focus includes strengthening institutional capacity, enhancing structured engagement mechanisms, and, critically, supporting the identification and preparation of viable, investment-ready opportunities that can attract private sector participation in service delivery in the municipality. Given capacity and time constraints, this shift will be implemented through a selective approach, focusing on a limited number of municipalities with relatively higher levels of readiness to pilot this model and demonstrate tangible results.

Against this background, this assignment is intended to support this transition by providing targeted technical assistance to move municipalities from framework adoption and dialogue towards practical investment preparation and mobilisation, with a focus on developing investment opportunities for private sector participation in urban infrastructure and services.

1.4 Rationale and Justification

County governments and municipalities are mandated to, among other responsibilities, drive local economic development, infrastructure provision, and service delivery. However, most of them, if not all, lack well-structured, investment-ready project pipelines capable of attracting private sector investment and Public Private Partnership (PPP) financing. As a result, many priority projects remain at concept stage, with limited progression to feasibility, structuring, or financing.

A key constraint is the gap between planning and implementation. While municipalities have prepared spatial and sector plans, these are often not translated into prioritized, technically sound, and financially viable investment opportunities that could attract private sector investment. In addition, limited capacity in project preparation, financial structuring, and transaction support undermines the ability of municipalities to engage effectively with private investors and financiers.

In addition to the above, private sector participation has been constrained by perceived risks, including weak project preparation, unclear revenue models, limited data on project viability, and institutional uncertainties. Without investment opportunity packages documentation, clear risk allocation frameworks, and credible financial structures, municipalities are unable to attract sustained private sector interest.

This proposed consultancy is therefore intended to bridge the gap between planning, project preparation, and investment mobilization mainly from the private sector. The consultancy will also contribute to operationalizing the Private Sector Engagement Framework (PSEF) by moving beyond dialogue towards tangible investment outcomes, thereby demonstrating practical pathways for municipalities to leverage private capital in service delivery.

It is acknowledged that due mainly to time and financial resources available all the 79 KUSP2, implementing municipalities cannot be expected to participate in the duration of this consultancy. It is therefore proposed that pilot municipalities will be selected for the purpose of this consultancy. These municipalities must demonstrate relatively higher readiness for private sector investments. The specific criteria for selecting the five municipalities may include such consideration as having a functioning municipal board, approved plans, active private-sector engagement mechanisms and having reasonable implementation capacity. The consultant will be expected to identify one priority investment opportunity per municipality. These investments should be concentrated in revenue-generating municipal asset classes where private sector participation is realistic such as markets, bus parks, solid waste, logistics/workspace facilities and other municipal commercial assets.

The consultancy is alive to the fact that replicability remains the organizing principle. In this case it will adopt a replicable methodology and toolkit with diagnostic, pre-feasibility, financial-screening and investment-package templates that the State Department and other municipalities can reuse without seeking more consultancies. Ultimately, this intervention is expected to unlock private investment, improve infrastructure and service delivery, and thus enhance the role of municipalities as engines of inclusive and sustainable urban economic growth. The consultant will be expected to develop Municipal Investment Opportunity Packages for each municipality.

1.5 Selection of the Five Pilot Municipalities for the Project

The State Department for Housing and Urban Development (SDHUD) has prioritized five municipalities for this project. The selection criteria are based on a selective approach, focusing municipalities with relatively higher levels of readiness to pilot this model and have demonstrated tangible results as evidenced in the APA2 under KUSP2.

Table 1: Selection justification of the pilot municipalities

Municipality	Region	Urban Typology	Why Selected
1. Kisumu	Western/Lake Region	Secondary City	Strong UDG performer with mature investment opportunities and regional economic significance. Demonstrates investment readiness for a major secondary city.
2. Meru	Eastern	Regional Commercial Hub	Strong institutional capacity, vibrant private sector, and several investment opportunity packages value chains. Represents high-potential agricultural municipalities.
3. Ruiru	Central	Peri-Urban Metropolitan Municipality	One of Kenya's fastest-growing municipalities with strong private investment demand and proximity to Nairobi. Represents rapidly urbanizing municipalities.
4. Eldoret	Rift Valley	Regional Growth Pole	Major economic hub serving the North Rift with excellent investment pipeline and strong governance systems.
5. Kakuma	Turkana	Frontier/Refugee-Hosting Municipality	Strategic inclusion under KUSP II due to the refugee-hosting communities agenda (WHR). Provides lessons on investment readiness in fragile and frontier urban contexts.

2.0 OBJECTIVE OF THE ASSIGNMENT

The main objective of this consultancy is to prepare Municipal Investment Opportunity Packages for each municipality that can attract private sector participation and improve urban service delivery and local economic development.

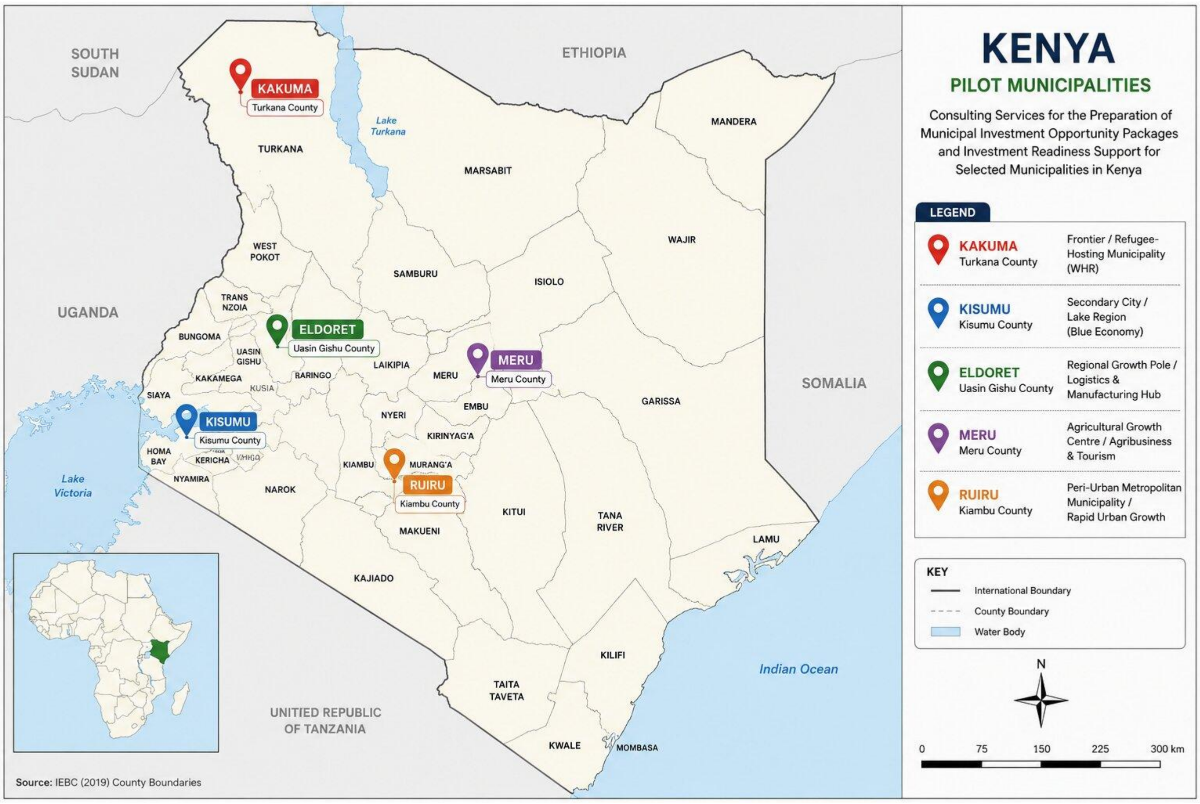
2.1 Specific Objectives

i) **Identify and assess priority municipal investment opportunities** with potential for private sector participation, based on municipal development priorities, infrastructure gaps, market demand, and local economic potential.
ii) **Undertake diagnostic and pre-feasibility assessments of selected investment opportunities** to determine their technical, financial, institutional, environmental, and social viability for implementation.
iii) **Develop Municipal Investment Opportunity Packages** for prioritized projects, including project concepts, investment rationale, financing options, implementation models, indicative costs, risk analysis, and investor propositions.
iv) **Strengthen municipal investment readiness and institutional capacity** by supporting municipalities to improve project preparation, investment promotion, and structured engagement with private sector actors.

3.0 THE SCOPE OF THE CONSULTING SERVICES AND SPECIFIC TASKS

3.1 Scope of Work

The scope of the assignment will be in the five (5) pilot municipalities of Kisumu, Eldoret, Meru, Ruiru and Kakuma, one-opportunity-each for piloting Municipal investment financing models whose selection will be based on their readiness, having functioning municipal boards, approved plans, active private-sector engagement mechanisms, and reasonable implementation capacity.



Map 1: Spatial distribution of the 5 pilot municipalities

3.2 Key Tasks of the Assignment

The consulting firm shall undertake the following tasks:

Task 1: Inception, Review and Municipal Investment Diagnostic

The consulting firm shall undertake an inception process to refine the methodology and work plan and conduct a comprehensive review of the municipal investment context.

Activities

- Hold inception meetings with the Client, participating counties, and municipalities.
- Review relevant policies, strategies, and planning documents including County Integrated Development Plans (CIDPs), Integrated Strategic Urban Development Plans (ISUDPs), Municipal Charters, Integrated Development Plans (IDePs), sector plans, and investment frameworks.
- Undertake municipal economic profiling and diagnostics to assess economic potential, urban growth trends, infrastructure deficits, and service delivery gaps.
- Assess existing municipal institutional arrangements, investment readiness, and private sector engagement mechanisms.
- Map ongoing and planned public and private investments within participating municipalities.

Output

Inception report and municipal investment diagnostic report.

Task 2: Identification and Prioritization of Municipal Investment Opportunities

The consulting firm shall identify and prioritize municipal investment opportunities with potential for private sector participation.

Activities

- Undertake sectoral and market analysis to identify high-potential investment areas.
- Identify investment opportunities aligned with municipal priorities, infrastructure needs, and local economic development objectives.
- Develop prioritization criteria based on viability, development impact, readiness, climate resilience, financial sustainability, and private sector attractiveness.
- Conduct stakeholder consultations with county governments, municipalities, utilities, private sector actors, business associations, and communities.
- Prepare a prioritized pipeline of investment opportunities for each municipality.

Output

Municipal investment opportunity inventory and prioritization matrix.

Task 3: Diagnostic and Pre-Feasibility Assessment of Priority Investments

The consulting firm shall undertake diagnostic and pre-feasibility assessments of selected priority investments.

Activities

- Assess technical, financial, institutional, environmental, and social feasibility of selected projects.
- Undertake preliminary demand, market, and revenue assessments.
- Assess land requirements, implementation constraints, and regulatory considerations.
- Identify potential project implementation and financing modalities including Public-Private Partnerships (PPPs), concessions, joint ventures, blended finance, or service contracts.
- Conduct preliminary risk assessments and identify mitigation measures.

Output

Pre-feasibility assessment reports for prioritized investment opportunities.

Task 4: Preparation of Municipal Investment Opportunity Packages

The consulting firm shall prepare Municipal Investment Opportunity Packages for prioritized projects.

Activities

- Develop detailed project concept notes and investment profiles.
- Prepare project-specific investment cases including technical concept, market opportunity, financial projections, indicative costs, revenue potential, implementation arrangements, and risk analysis.
- Define financing and partnership structures appropriate for each investment opportunity.
- Package investment opportunities in an investor-friendly format suitable for promotion and resource mobilization.

Output

Municipal Investment Opportunity Packages for selected projects.

Task 5: Municipal Investment Readiness and Capacity Strengthening

The consulting firm shall strengthen municipal institutional capacity for investment readiness and private sector engagement.

Activities

- Assess capacity gaps affecting municipal investment attraction and project preparation.
- Develop practical tools, templates, and guidelines for investment packaging and investor engagement.
- Facilitate training and mentorship for municipal staff on project preparation, investment promotion, financial structuring, and private sector engagement.
- Support municipalities to establish or strengthen structured engagement mechanisms with private sector actors.

Output

Municipal investment readiness framework, capacity building materials, and training report.

4.0 DURATION AND LOCATION OF THE ASSIGNMENT

The duration of the assignment is Eight (8) calendar months from the date of contract commencement. The assignment will be implemented in 5-municipalities the scope of work as outlined in 3.1 above.

5.0 REPORTING REQUIREMENTS AND TIMELINES FOR DELIVERABLES

Schedule of deliverables
The consultant will be expected to deliver the following outputs:

Table 2: Reporting requirements

S/No.	Deliverables/Reports	Timelines for submission of deliverables after contract commencement	Format of submission
1.	Inception report and municipal investment diagnostic report.	1 month	2 hard copies and a soft copy
2.	Municipal investment opportunity inventory and prioritization matrix.	2.0 months	2 hard copies and soft copy
3.	Pre-feasibility assessment reports for prioritized investment opportunities per municipality.	4.0 and 5.0 months	2 hard copies and a Soft Copy
4.	Municipal Investment Opportunity Packages for one priority project in each selected municipality.	6.0 and 7.0 months	2 hard copies and a Soft Copy
5.	Municipal investment readiness framework, capacity building materials, and training report.	8.0 months	1 hard copy and a soft copy

NOTE

All Reports shall be submitted in the subscribed format to the address below:

Principal Secretary
State Department for Housing and Urban Development
P.O. Box 30119-00100
6th Floor, Ardhi House
1st Ngong Avenue
Nairobi, Kenya
Tel: +254-02-2729200
E-mail: www.housingandurban.go.ke

Attn. National Program Coordinator, KUSP II
National Program Coordination Team
Second Kenya Urban Support Program

6.0 PAYMENT SCHEDULE

The proposed payment schedules based on satisfactory performance of the contract, which will be negotiated with the successful consultant, will be as presented in Table 2 below. Upon submission of every report, the consultant is expected to make a presentation of the submitted report to the Client in a scheduled meeting. The acceptance of the report shall be recorded in the minutes of the meeting.

Table 3: Proposed payment schedule

S/No.	Deliverables/Reports	Timelines for submission of deliverables after contract commencement	Percentage of the contract amount
1.	Submission and Acceptance of Inception report and municipal investment diagnostic report.	1 month	20%
2.	Submission and Acceptance of Municipal investment opportunity inventory and prioritization matrix.	2 months	20%
3.	Submission and Acceptance of Pre-feasibility assessment reports for prioritized investment opportunities per municipality.	4.0/5.0 months	30%
4.	Submission and Acceptance of Municipal Investment Opportunity Packages for one priority project in each selected municipality.	6.0/ 7.0 months	20%
5.	Submission and Acceptance Municipal investment readiness framework, capacity building materials, and training report.	8.0 months	10%

7.0 MINIMUM REQUIREMENT FOR THE CONSULTING FIRM, QUALIFICATIONS AND EXPERIENCE

The Consulting firm shall have the following minimum qualifications and experience:

7.1 Core business and years in business:
The firm shall be duly registered/incorporated as a consulting firm with core business in the fields of municipal and urban infrastructure advisory, infrastructure finance, investment facilitation, project preparation, and/or private sector participation in urban development and service delivery. The firm shall demonstrate experience in undertaking municipal investment diagnostics, identifying and prioritizing investment opportunities, conducting pre-feasibility assessments, preparing investment opportunity packages, and strengthening institutional investment readiness for a minimum period of fifteen (15) years.

7.2 Relevant experience:
The firm shall demonstrate having successfully executed and completed at least two (2) assignments of similar nature, scope, and complexity within the last ten (10) years. The assignments should demonstrate experience in: (i) undertaking municipal or urban economic and investment diagnostics; (ii) identifying and prioritizing viable investment opportunities in urban infrastructure and service delivery; (iii) conducting technical, financial, institutional, environmental, and social pre-feasibility assessments; (iv) preparing investment opportunity packages; and (v) supporting investment readiness, structured private sector engagement, or investment facilitation for counties, or urban areas.

Details of similar assignments—including the name and address of the client, scope of services, contract value, implementation period, and key outputs/deliverables—should be provided in the submitted Expression of Interest (EOI), together with a clear description of the relevance of the assignments to the scope of this consultancy.

7.3 Technical and managerial capability of the firm:
The firm shall demonstrate as having the requisite technical and managerial capacity to undertake the assignment in the submitted company profile(s). **Key Experts will not be evaluated at the shortlisting stage**.

8.0 TEAM COMPOSITION, QUALIFICATIONS AND EXPERIENCE FOR KEY EXPERTS

The Consultant shall have well-qualified and experienced professionals as required and appropriate for completion of the exercise. They should possess the necessary resources to undertake services of such nature, including equipment and software required to execute the assignment. The key professionals/experts shall personally carry out (with the assistance of other non-key experts deemed appropriate) the services as described in this TOR. The key experts to be provided by the Consultants for this assignment will include qualified personnel with extensive international and regional experience, as follows: -

8.1 Team Leader /PPP and Municipal Investment Specialist
Academic and Professional Qualifications

a) A minimum of a Master's degree in Economics, Finance, Infrastructure Finance, Urban Development, Public Policy, Business Administration, Project Management, or a related field from a university recognized in Kenya.
b) b) Professional training and certification in Public-Private Partnerships (PPPs), infrastructure finance, project finance, investment appraisal, transaction advisory, municipal finance, or related areas.
c) c) Membership in a relevant professional body recognized in Kenya with a valid practicing license, where applicable.

Experience

a) A minimum of ten (10) years of relevant professional experience in infrastructure investment, PPP advisory, municipal infrastructure financing, investment facilitation, and/or project development
b) Demonstrated experience in originating, structuring, and supporting implementation of investment opportunity packages for infrastructure or urban development projects
c) Proven experience in leading preparation of investment opportunity packages, or municipal investment readiness initiatives.
d) Experience working with national or subnational governments, development partners, and private sector investors in developing economies
e) Demonstrated experience as Team Leader in at least two (2) assignments of similar nature, scale, and complexity involving infrastructure investment preparation, PPP structuring, or municipal investment readiness.

8.2 Urban Economist/ Local Economic Development Specialist
Academic and Professional Qualifications

a) A minimum of a Master's degree in Economics, Urban Economics, Development Economics, Urban and Regional Planning, Local Economic Development, Development Studies, or a related field from a university recognized in Kenya.

b) Additional training in municipal economic development, investment planning, competitiveness analysis, economic modelling, or infrastructure economics.
c) Membership in a relevant professional body recognized in Kenya, where applicable.

Experience

a) A minimum of eight (8) years of relevant professional experience in urban economics, local economic development, municipal planning, economic diagnostics, or investment planning.
b) Demonstrated experience undertaking municipal economic profiling, local economic assessments, and investment opportunity analysis.
c) Experience in identifying and prioritizing commercially viable investment opportunities linked to urban service delivery and local economic development.
d) Demonstrated experience in market assessments, economic viability analysis, value chain analysis, and infrastructure-related economic planning.
e) Experience working with county governments, municipalities, urban development programmes, and/or donor-funded initiatives.

8.3 Financial Analyst
Academic and Professional Qualifications

a) A minimum of a Master's degree in Finance, Economics, Accounting, Financial Engineering, Business Administration (Finance), Investment Analysis, or a related field from a university recognized in Kenya.
b) Professional certification in finance, accounting, investment analysis, or project finance (CPA, CFA, ACCA, or equivalent).
c) Membership in a recognized professional body with a valid practicing license, where applicable.

Experience

a) A minimum of five (5) years of relevant professional experience in project finance, financial modelling, infrastructure finance, investment analysis, and financial structuring.
b) Demonstrated experience in preparation of financial models for infrastructure or municipal investment projects, sensitivity analysis, affordability analysis, and bankability assessments.
c) Experience in assessing financial viability and structuring financing options for infrastructure and urban development investments, including PPPs, blended finance, and municipal financing mechanisms.
d) Experience preparing financial projections, investor-oriented business cases, and investment memoranda.

8.4 Infrastructure Specialist
Academic and Professional Qualifications

a) A minimum of a Master's degree in Civil Engineering, Infrastructure Engineering, Urban Engineering, Transport Engineering, Water Engineering, Environmental Engineering, Electrical Engineering, or a related field from a recognized university.

b) Must be registered with the Engineers Board of Kenya or another relevant professional body recognized in Kenya, with a valid practicing license.

Experience

a) A minimum of eight (8) years of relevant professional experience in infrastructure planning, design, appraisal, or implementation.
b) Demonstrated experience in preparation of feasibility studies, infrastructure investment plans, and investment-grade infrastructure projects.
c) Experience assessing technical feasibility, lifecycle costing, operational sustainability, service delivery systems, and infrastructure asset management.
d) Experience supporting project preparation for urban infrastructure and service delivery investments with private sector participation potential.

8.7 Environmental and Social Safeguards Expert
Academic and Professional Qualifications

a) A minimum of a Master's degree in Environmental Science, Environmental Engineering, Social Development, Sociology, Natural Resource Management, Environmental Planning, from a university recognized in Kenya.
b) Registration as a Lead Expert with the National Environment Management Authority (NEMA) or equivalent body recognized in Kenya, with a valid practicing license.

Experience

a) A minimum of eight (8) years of general professional experience in environmental and social risk management, including preparation and implementation of environmental and social impact assessments (ESIAs) and management plans for infrastructure or urban development projects.
b) Demonstrated experience undertaking environmental and social screening, stakeholder engagement, social risk assessment, and safeguards integration in project preparation processes.
c) Experience integrating environmental and social safeguards into feasibility studies, infrastructure investment planning, and investment opportunity project preparation.
d) Experience applying the World Bank Environmental and Social Framework (ESF), national environmental safeguards frameworks, or equivalent standards.
e) Experience supporting infrastructure or municipal projects to meet environmental and social compliance requirements for investment readiness and financing.

9.0 ESTIMATED TIME INPUTS FOR KEY EXPERTS

The number of key experts and the estimated time required for each key expert to complete the assignment are presented in Table 4.

Table 4: Estimated Time Inputs for Key Experts

S/No	Key and Support Staff	No.	Input staff- months
1	Team Leader / Municipal Infrastructure Investment and PPP Expert	1	7
2	Urban Economist/LED specialist	1	5
3	Financial analyst	1	5

4	Infrastructure Specialist	1	4
5	Environmental and Social Safeguards Expert	1	3
	Total	**7**	**24**

10.0 MANAGEMENT AND ACCOUNTABILITY OF THE ASSIGNMENT

The State Department for Housing and Urban Development is the Client for these services. The consulting firm will be answerable to the National Program Coordinator through Head RA4 on day-to-day operations, and will work closely with project staff in the execution and delivery of this consultancy.

11.0 OBLIGATION OF THE CLIENT

i. The client, State Department for Housing and Urban Development through the National Program Coordinator, will provide all developed and available policies that can assist in this assignment.
ii. Organize meetings with relevant stakeholders as may be required by the consultant.

12.0 OBLIGATION OF THE CONSULTING FIRM

i. The consulting firm will be answerable to the National Program Coordinator through Head RA4 on day-to-day operations, and will work closely with project staff in the execution and delivery of this consultancy;
ii. The consulting firm will be required to make his own travel and accommodation arrangements during consultations with different stakeholders to ensure the assignment is carried on smoothly and seamlessly within the timeframe provided;
iii. The consulting firm will consult and include inputs from the stakeholders and is responsible for organizing and achieving the evaluation and delivering the final report.

13.0 PROPRIETY RIGHTS OF CLIENT IN REPORTS AND RECORDS.

i. All the reports, data, and information developed, collected, or obtained from the implementing agencies etc., Client, and other Institutions during this exercise shall belong to the Client. No use shall be made of them without prior written authorization from the Client.

ii. At the end of the Services, the Consultant shall relinquish all data, manuals, reports and information (including the database, codes, and related documentation) to the Client and shall make no use of them in any other assignment without prior written authority from the Client.