



Project Name: SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSPII)

Credit No : IDA-7447-KE

Project ID No : P180935

TERMS OF REFERENCE FOR

THE SECOND KENYA DEVOLUTION SUPPORT PROGRAM (KDSPII) – CONSULTING SERVICES TO DEVELOP INSTITUTIONAL RISK MANAGEMENT FRAMEWORK

REFERENCE NUMBER: KE-DD-547911-C-CQ

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Client: State Department for Devolution P.O. Box 30004 - 00100 Nairobi.

Attention: Program Coordinator KDSPII

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A. BACKGROUND

The Government of Kenya has received an International Development Association (IDA) Credit in the amount of EUR140.7 million (US\$150 million equivalent) from the World Bank to implement the Second Kenya Devolution Support Program (KDSP II) (Credit Number IDA- 7447-KE) over a four-year period starting December 7th, 2023. KDSP II supports a subset of reforms envisaged under the Government's Devolution Sector Plan.

The Program, whose Program development objective (DO) is to “strengthen county performance in the financing, management, coordination, and accountability for resources”, supports a series of key interventions (at the input and output levels) that contribute to intermediate outcomes and, in turn, contribute to outcomes. To achieve the DO, the Program is expected to significantly improve outcomes in the participating counties under three key result areas (KRAs) outlined below:

KRA 1: Sustainable Financing and Expenditure Management. This KRA supports efforts toward enhancing financing and expenditure management by counties. In this KRA, the national-level activities, supported through investment project financing (IPF) entail the development of frameworks and guidelines for county revenue mobilization, policy to support financing for service delivery units, and structures and tools to support counties' institutionalization of shared project management functions, that is, the county SPMU. The expected outcomes will include an improved revenue mobilization agenda (for example, increased revenue collection, enhanced accuracy of fiscal forecasting, and expansion of revenue base), timely communication on releases of conditional grants, automation of the county exchequer requests, and implementation of pending bills action plans. The relevant disbursement linked indicators (DLIs) under this KRA are on (i) the average number of days it takes for the National Treasury, Office of the Controller of Budget, and the Central Bank of Kenya to process a county exchequer requisition once submitted; (ii) participating counties that have increased their own source revenue by at least 5 per cent annually, over and above the rate of inflation; and (iii) participating counties that have prepared and are implementing action plans to reduce their stock of pending bills and maintain it at minimal levels.

KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management. This KRA supports national and county government initiatives toward strengthening intergovernmental coordination, institutional performance, and Human Resource Management (HRM). The national-level activities financed through the IPF will support the development of policy and administrative procedures for the operationalization of intergovernmental, intercity, and inter-municipality forums. The IPF will also support the development of guidelines including county HR and skills audits, model organization structures for customization by counties, and performance management. DLIs under this KRA will target counties implementing recommendations of HR, skills, and payroll audits; aligning county staffing with departmental functions in select sectors; and improving the credibility of the payroll. The relevant DLIs under this KRA are on (i) participating counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in

the human resource management information system; and (ii) participating counties that are enhancing accountability for results through an integrated performance management framework.

- **KRA 3: Oversight, Participation, and Accountability.** This KRA supports improvements in oversight, participation, and accountability. The IPF component will support the development of guidelines on project stocktaking, community-led project management committees, and climate change risk screening and preparedness (including assessment of the climate resilience of existing infrastructure assets). It will also support the rollout of the county (public Investment Management (PIM) framework. The expected

outcomes include the establishment of project management committees, county compliance with the PIM framework, and developing and operationalizing a county investment dashboard with a citizen feedback interface (which is used to improve public investments). Additionally, it is expected that county assemblies will establish a fiscal bureau to strengthen the role of the legislatures in budget scrutiny and oversight. The relevant DLI under this KRA is on Participating counties that have established public investment management dashboards with citizen feedback mechanisms.

Treasury Circular No. 3/2009 dated February 23, 2009, requires all Ministries, Departments, Agencies (MDAs) and Counties to develop an Institutional Risk Management Framework (IRMPF). In today's dynamic environment, MDAs and Counties face a multitude of risks that can impact their operations, reputation, and financial stability. Effective risk management is essential to safeguard assets, ensure continuity, and maintain stakeholder trust. This initiative seeks to establish a comprehensive framework that integrates risk management into the organizational culture and decision-making processes.

B. OBJECTIVE OF THE ASSIGNMENT

This framework aims to enhance the MDAs and Counties ability to identify, assess, manage, and mitigate risks across all levels of operation, ensuring the achievement of strategic objectives and compliance with regulatory requirements. Specifically, this assignment aims to

- To establish a structured approach to risk management that aligns with the organization's strategic goals.
- To identify and categorize risks across various domains, including operational, financial, strategic, compliance, and reputational risks.
- To develop risk assessment methodologies and tools that facilitate proactive risk identification and mitigation.
- To define roles and responsibilities for risk management at all organizational levels.
- To ensure compliance with relevant legal, regulatory, and industry standards.
- To promote a risk-aware culture through training and communication strategies.

C. SCOPE OF THE WORK

The scope of the assignment will cover all 47 county governments and MDAs implementing the program. Tasks to be undertaken by the consultancy firm will include:

- Review and analyze relevant policies, and regulatory framework on risk management in the public sector.
- Conducting a comprehensive risk assessment to identify existing and potential risks.
- Developing a risk management policy document that outlines principles, processes, and procedures.
- Designing risk assessment tools and templates compliant with international standards for consistent application across the MDAs and Counties
- Establishing a risk governance structure, including committees and reporting mechanisms.
- Developing training materials and programs to enhance risk management capabilities.

D. DURATION OF THE ASSIGNMENT

The project is expected to be completed within 180 days.

E. SPECIFIC TASKS AND DELIVERABLES

The key deliverables for this assignment are as detailed in Table 1:

Table 1: Tasks and Deliverables

S/N	Task	Deliverable	Timeline; (after contract signing)	Payment schedule (%)
1.	Inception report detailing out the consultant's understanding of the assignment	Inception Report	2 week	10%
2.	Review and analyze relevant policies, and regulatory framework on risk management in the public sector.	Situation analysis report	6 weeks	15%
3.	Conducting a comprehensive risk assessment to identify existing and potential risks.			
4.	Developing a risk management policy document that outlines principles, processes, and procedures.	Draft Institutional Risk Management Framework	13 Weeks	25%

5.	Designing risk assessment tools and templates for consistent application across the MDAs and Counties.			
6.	Establishing a risk governance structure, including committees and reporting mechanisms.			
7.	Undertake a validation exercise for the framework	Validation workshops report	18 weeks	10%
8.	Develop the Institutional Risk Management framework informed by the validation exercise.	The Institutional Risk Management framework	22 weeks	30%
9.	Developing training materials to enhance risk management capabilities.	Training Materials on the Institutional Risk Management Framework	26 weeks	10%

F. MINIMUM REQUIREMENTS FOR CONSULTANT’S QUALIFICATIONS AND EXPERIENCE.

The firm shall have been registered/incorporated as a consulting firm for at least 8 years and shall demonstrate the requisite technical and managerial capacity to undertake the assignment in the submitted company profile.

The evaluation criteria for the consulting firm shall be:

- a. **Core business and years in business:** The firm shall be registered/incorporated as a consulting firm in the field of public finance management for a period of a minimum of eight years.
- b. **Relevant experience:** The firm shall demonstrate as having successfully executed and completed at least three assignments of similar nature, complexity and in a similar operating environment- public sector in the last five years. Details of similar assignments- Name and address of the client, scope, value, and period should be provided, and the submitted Proposal should include an enumeration (Contract or LPO) of these similar past assignments.
- c. **Description of Approach, Methodology, And Work Plan:** A description of the approach, methodology and work plan in responding to the terms of reference for performing the assignment, including a detailed description of the proposed methodology and staffing for the assignment. Technical Approach and Methodology, Work Plan, Organization and Staffing; Provide organization structure, team composition and CV and certificates of the Key personnel.
- d. **Technical and managerial capability of the firm:** The firm shall demonstrate as having the requisite technical capacity and managerial capacity to undertake the assignment in the submitted company profile(s).

Key Experts will not be evaluated at the shortlisting stage.

The team should be made up of the following skills – an overall team leader and the following team members. A team member can have more than one skill. The table enumerates the skills that are required:

Table 2: Team composition and qualification and experience requirements for the key experts.

Position	Educational Requirements	Experience required
Team Leader	A minimum Master's Degree in Public Policy, Finance; Business; Economics, or Related Disciplines	A minimum of 10 years of work experience in Public Policy, Finance, Business Administration, or Economics;
Public Financial Management	A certified professional accountant (CPA K) with a minimum of Bachelor's Degree in Accounts, Finance, Business, Economics, or related Disciplines	A minimum of 8 years of work experience in public financial management out of which 3 years in public sector finance, planning, budgeting, audit or fiscal decentralization
Auditor (2 auditors)	A certified professional accountant (CPA K) with a minimum of a Bachelor degree in accounts, finance, business, Economics of related disciplines. A member of the Institute of Internal Auditors	A minimum of 8 years of work experience in Audit

I. ANNEXES TO THIS TERMS OF REFERENCE:

KDSP II Program Appraisal Document and Program Operational Manual

J. RESPONSIBILITIES OF THE CONSULTANCY FIRM

The consultancy firm shall be responsible for:

- (a) providing all the necessary resources to carry out the services, such as international travel, project transportation for visits to counties, subsistence allowances, accommodation, information technology, means for communications, reporting materials, insurance, and any other required resources to facilitate delivery of this assignments.
- (b) The Consultancy firm will be responsible for quality and timely delivery of the assignment.
- (c) Except as the client may otherwise agree in writing, no changes shall be made in the Key Experts engaged in this assignment.

The consultant is expected to undertake activities that will ensure that outputs are consistent with the professional and legal requirements.

K. RESPONSIBILITIES OF THE CLIENT

The client will provide all relevant support to the Consultancy Firm in carrying out the assignment This will include the following:

- i. Introduction to the key stakeholders involved in the assignment.
- ii. Coordinate and facilitate meetings with Counties and National Government institutions.
- iii. Reviewing deliverables as per the signed off milestones.
- iv. Day-to-day responsibility for supervising the performance of the implementation and support services.
- v. Prescribing the relevant reporting formats to be used by the firm e.g. Inception report.
- vi. Facilitating workshops for evaluation and validation of the draft framework with key stakeholders
- vii. Availing all relevant documents to the consultants and will facilitate coordination with the counties. In addition to the POM and the PAD, already provided with this ToR, the client will provide any other material considered relevant during the development of the guidelines for cleaning taxpayers register and cadasters

L. MANAGEMENT, ACCOUNTABILITY OF THE ASSIGNMENT AND QUALITY ASSURANCE

The State Department for Devolution is the client for the consultancy services. In terms of performance and deliverables, the consultancy firm will carry out the assignment under the direction of the KDSP II National Program Coordinator, and report to the same office. The firm shall work closely with National Program Coordination Unit for timely delivery of the outputs.

Code of Ethics for the Consultant: It is critical to emphasize the need to be objective and maintain integrity throughout the process. A code of conduct/ ethics for the consultant will be signed

by all members before undertaking the assignment. The content of the code of ethics will mainly focus on adhering to the procedures, integrity, and anti-corruption issues. Harsh disciplinary action/ punitive measures will be imposed against non-compliant assessment and quality control for members as well as the involved Counties.

Confidentiality and Data Ownership: The consultancy firm shall adhere to the World Bank Data Privacy and Protection regulations and all the relevant confidentiality and data ownership laws and regulations of Kenya throughout the consultancy period and will protect the confidentiality of all counties and MDAs.

The consultancy firm will provide all reports and deliverables in English. All documents are proprietary to and shall be collected and stored at the SDD for future reference. The consultant may not distribute any data collected under this assignment to any entity without express written prior approval from the Client.