



KENYA URBAN SUPPORT PROGRAM II (KUSP II)

THE MUNICIPALITY OF LAMU

PRIVATE SECTOR ENGAGEMENT FRAMEWORK FOR THE MUNICIPALITY OF LAMU

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Abbreviations and Acronyms

BETA	Bottom-Up Economic Transformation Agenda
CGL	County Government of Lamu
CoG	Council of Governors
COTU	Central Organization of Trade Unions
CSOs	Civil Society Organizations
GDP	Gross Domestic Product
IDEPs	Integrated Development Plans
KAM	Kenya Association of Manufacturers
KARA	Kenya Alliance of Residents Association
KEPSA	Kenya Private Sector Alliance
KeSIC	Kenya Standard Industrial Classification
KNCCI	Kenya National Chamber of Commerce and Industry
KUSP	Kenya Urban Support Program
MCs	Minimum Conditions
MLPWHUD	Ministry of Lands, Public Works, Housing and Urban Development
MSEA	Medium and Small Enterprises Authority
MSMEs	Micro, Medium and Small Enterprises
MTP	Medium-Term Plan
NGOs	Non-Governmental Organizations
NUDP	National Urban Development Policy
PPDFs	Public Private Dialogue Forums
PS	Performance Standards
PSEF	Private Sector Engagement Framework
SBP	Small Business Permits
SDHUD	State Department of Housing and Urban Development
SMEs	Small and Medium-sized Enterprises
UACA	Urban Areas and Cities Act

SHARED APPROVAL OF THE MUNICIPALITY OF LAMU PRIVATE SECTOR ENGAGEMENT FRAMEWORK (PSEF)



This Framework for Private Sector Engagement in Urban Development is hereby approved for implementation by the County Government of Lamu. It aims to establish a strategic, systematic, and inclusive approach to foster meaningful partnerships between the municipality of Lamu, urban boards, and the private sector, aligned with national development priorities and legal mandates.

As key policymakers and overseers of urban development and urban governance, we, the undersigned, affirm our commitment to championing the successful operationalization of this framework in the municipality. We recognize the vital role of private sector participation in advancing sustainable urban growth, economic resilience, and inclusive development.

This approval signifies our shared responsibility to ensure adherence to the framework's principles, embedded in county planning and budgeting processes, to contribute effectively to Kenya's Vision 2030 and Bottom-Up Economic Transformation Agenda.

We call upon all relevant stakeholders' urban boards, public agencies, and private sector partners, to collaborate with transparency, accountability, and a shared vision of vibrant, inclusive, and resilient urban centers in Kenya.

SIGNATORIES

Name & Title	Signature	Date
Tashrifa Bakari County Executive Committee Member for Lands & Physical Planning		14 TH AUGUST 2025
Nasra Hussein Hassan Chairperson – Municipal Board		14 TH AUGUST 2025

FORWARD

The Municipality of Lamu, is the host of the UNESCO World Heritage Site and one of Kenya's oldest continuously inhabited towns, the Lamu old town, renowned for its rich Swahili culture, historical significance, and strategic position along the Indian Ocean. As the municipality navigates a new era of urban transformation, driven by the LAPSSET Corridor, port expansion, and the blue economy, it is imperative to foster inclusive and sustainable development.

In alignment with the Kenya Urban Support Program II (KUSP II), the Municipality of Lamu has developed this Private Sector Engagement Framework (PSEF) to strengthen participatory urban governance by institutionalizing structured collaboration between the Municipality and private sector actors, both formal and informal.

This framework provides a strategic mechanism to guide the implementation of inclusive and sustainable urban development initiatives as outlined in the Lamu Integrated Development Plan (IDeP), Municipal Urban Economic Plan (MUEP), Municipal Annual Work Plans, and relevant spatial planning instruments. It seeks to harness the potential of the private sector to catalyze investment, stimulate innovation, and improve service delivery across key sectors such as tourism, fisheries, trade, agriculture, and urban infrastructure.

By creating a conducive environment for public-private dialogue and partnerships, the PSEF aims to empower local enterprises, attract responsible investment, and enhance the overall resilience and prosperity of Municipality of Lamu.



Abduswamadu A. Ali
Municipal Manager
The Municipality of Lamu

PREFACE

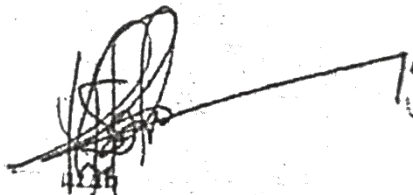
The Municipality of Lamu recognizes the critical role of the private sector as a key partner in driving sustainable urban development, service delivery, and economic growth. In an era marked by evolving governance models and increasing demands for efficient and inclusive public services, fostering meaningful collaboration between the public and private sectors has never been more essential. The private sector, encompassing both formal enterprises and informal businesses, drives job creation, supports livelihoods, enhances local service delivery, and stimulates economic vibrancy. Yet, despite its critical role, engagement between municipal authorities and the private sector has often been unstructured, and under-leveraged.

In response, the Municipality of Lamu, through support from the Kenya Urban Support Program II (KUSP II), has developed this **Private Sector Engagement Framework (PSEF)**. The framework provides a structured, inclusive, and strategic mechanism to institutionalize meaningful collaboration between the Municipality and private sector actors. It is firmly grounded in Lamu's socio-economic realities and aligns with national policies, constitutional principles, and devolved governance objectives.

The PSEF has been informed by stakeholder consultations and local insights, ensuring relevance and ownership across diverse actors. It reinforces the implementation of the Lamu Integrated Development Plan (IDeP), Municipal Annual Work Plans, and spatial planning instruments, while fostering a conducive environment for private sector participation in urban development.

This document serves as a guiding tool for municipal leadership, county departments, urban boards, and private sector stakeholders. It aims to catalyse investment, promote innovation, and enhance public service delivery, laying the foundation for a resilient, inclusive, and prosperous municipality.

Through this framework, Lamu affirms its commitment to collaborative urban governance and charts a sustainable path toward unlocking the full potential of its private sector for the benefit of all residents.



Patrice S. Lumumba

Director Lands and Physical Planning

ACKNOWLEDGEMENT

The development of the Private Sector Engagement Framework (PSEF) and its accompanying toolkit marks a significant milestone in the Municipality of Lamu's commitment to strengthening inclusive planning, enhancing access to infrastructure, and improving service delivery.

This important initiative was made possible through the dedication and collaborative efforts of a multidisciplinary technical team that guided the formulation of the framework. The process was coordinated under the leadership of the Municipal Manager, with technical support from:

Ahmed Kombo – Administrator

Eng Salim Suleiman - Engineer

Mohamed Abubakar – Environment Safeguards Officer

Gabriel Ngige – Social Safeguards Officer

Fauz Ali – Trade Officer

Zulfa Musa– HR

Hanif Said – Revenue Officer

Their collective expertise, commitment, and valuable contributions have ensured that this framework is both contextually relevant and technically sound. The Municipality of Lamu extends its sincere appreciation to all individuals and departments involved in the successful development of this guidance document.

We also acknowledge the support provided through the Kenya Urban Support Program II (KUSP II), which has enabled this process and reaffirmed our shared vision of fostering inclusive, resilient, and sustainable urban development.



Ahmed Mohamed Kombo
Principal Administrator
Municipality of Lamu

EXECUTIVE SUMMARY

Background

The private sector plays a pivotal role in Kenya's socio-economic development, contributing approximately 75% of the national GDP and employing nearly 90% of the working-age population. This includes over 1.5 million registered Micro, Small, and Medium Enterprises (MSMEs) and more than 5 million informal businesses that collectively underpin national productivity and local livelihoods.

While urban centers such as Nairobi, Mombasa, and Nakuru have traditionally been viewed as economic engines, emerging municipalities like Lamu with its unique blend of cultural heritage, strategic maritime location, and potential for growth through the LAPSSET Corridor and blue economy are increasingly critical to Kenya's urban development agenda.

In line with Vision 2030 and the Kenya Kwanza Bottom-Up Economic Transformation Agenda (BETA), the County Government of Lamu recognizes the importance of inclusive, private sector-led development. However, like many devolved units, Municipality of Lamu has faced challenges related to fragmented engagement mechanisms, limited structured dialogue, and historical adversarial relationships between municipalities and the business community.

Traditionally, private sector interaction with municipal governance was largely transactional, limited to licensing, compliance, and revenue collection. However, following the enactment of the 2010 Constitution and the Urban Areas and Cities (Amendment) Act, 2019, there has been a paradigm shift towards participatory governance. Urban boards are now legally mandated to facilitate private sector involvement, including representation in planning and decision-making forums.

Despite this legal framework, actual engagement in municipalities such as Lamu remains limited in scope and depth. The private sector is often treated as a peripheral stakeholder rather than a core partner in urban development. This limits the potential to harness private sector innovation, investment, and service delivery capabilities.

This Private Sector Engagement Framework (PSEF) seeks to bridge that gap by institutionalizing a structured, inclusive, and participatory approach to private sector engagement within Municipality of Lamu. The framework aligns with the Lamu Integrated Development Plan (IDeP), Municipal Annual Work Plans, Municipal Urban Economic Plan and other urban policy instruments to support the Municipality's transformation into a resilient, economically vibrant, and inclusive urban center.

Through this framework, Lamu aims to unlock sustainable partnerships that catalyze investment, enhance service delivery, support enterprise development, and drive socio-economic progress for the benefit of all residents.

Development of the Framework

The Private Sector Engagement Framework (PSEF) for the Municipality of Lamu was developed through a locally driven and participatory process involving key stakeholders from municipal and county departments, private enterprises, civil society organizations, and community representatives.

While national-level consultations informed the broader model, the Lamu-specific framework was refined to align with the Lamu Integrated Development Plan (IDeP), Municipal Annual Work Plans, Municipal Urban Economic Plan and the unique socio-economic profile of the municipality, particularly its tourism, urban development, fisheries, trade, blue economy and other sectors.

This process, supported under the Kenya Urban Support Program II (KUSP II), emphasized inclusivity, transparency, and alignment with legal frameworks such as the Urban Areas and Cities Act and the County Governments Act. The resulting framework provides a practical tool to institutionalize structured public-private collaboration, aimed at enhancing urban development and service delivery 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 (Amendment) Act, 2020, 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 the municipality 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 the County and Kenya’s long-term development goals.

INTRODUCTION

Background

The Kenya National Urban Development Policy (2016) recognizes that the country has witnessed rapid urban growth rates of around 5% which has resulted in an urban population rise from 8% at independence to about 40% in 2015. It is therefore projected that more than half of the total Kenyan population will be living in urban areas by 2050.

The Kenya Constitution 2010 created the 47 devolved units that are now generally considered as the engines of growth and especially in terms of contributions to the country's Gross Domestic Product (GDP) and employment. This constitutional change, coupled with the increasing urbanization phenomenon, has helped stimulate business opportunities and the creation of wealth in terms of goods and services to the overall GDP in Kenya. In particular, the private sector in Kenya is estimated to contribute approximately 75% of the country's GDP, as well as employ around 90% of the working-age population. The sector is therefore considered the primary driver of economic growth in the country.

The private sector plays a crucial role in Lamu's economy, driving growth through investments in various sectors like tourism, agriculture, and infrastructure development. The government actively encourages private sector participation, recognizing its potential to create jobs, boost revenue, and enhance overall economic development.

Here is a more detailed look at the private sector's contributions:

1. **Tourism:** The private sector is heavily involved in tourism, including owning and managing hotels, developing tourist facilities, and promoting Lamu's unique cultural attractions, like the Lamu Cultural Festival.
2. **Agriculture:** Private sector entities are key players in agro-processing, including food and fruit processing, cotton and coconut product manufacturing. They also participate in livestock production, fattening, and marketing.
3. **Infrastructure Development:** The private sector is involved in infrastructure projects like the Lamu Port, the LAPSSET Corridor, and the construction of housing units and commercial buildings.
4. **LAPSSET Corridor:** The private sector is seen as crucial for financing various components of the LAPSSET Corridor project, including special economic zones, refineries, and the operation of the railway line.

The Lamu County government emphasizes partnerships with the private sector for public-private partnerships and joint ventures to facilitate investments and drive economic growth.

Among other potential investment sectors in the economy of Lamu county includes:

1. **Energy and Utilities:** With Lamu's growing population, the private sector is encouraged to invest in providing sustainable energy solutions, water and electricity.
2. **Social Services:** The private sector can contribute to the development of healthcare and educational institutions to meet the needs of the growing population.
3. **Small-scale Businesses:** The government also encourages the growth of small-scale businesses, which are often part of the private sector, as a means to generate employment and broader economic growth.

By fostering a conducive environment for private sector investment, Lamu aims to leverage its potential for economic growth and development.

The formal and informal Micro, Medium and Small Enterprises (MSMEs) in the country form a large portion of the private sector enterprises. With this recognition, the Government created the Micro and Small Enterprise Authority (MSEA), under the Ministry of Cooperatives and Micro, Small and Medium Enterprises Development as a State Corporation and regulated by MSEA Act, 2012. The Authority is charged with the responsibility of coordinating and mainstreaming the MSMEs development function in Kenya.

Kenya is estimated to have about 1.5 million formally registered Micro, Medium and Small Enterprises (MSMEs) and over 5 million informal MSMEs. They collectively generate over 30 percent of the GDP and employ approximately 14.9 million Kenyans across various sectors. This means a significant portion of Kenya's economic output is generated by these businesses.

Urban areas in Kenya are critical economic hubs, contributing over 50% of the national GDP, with Nairobi, Mombasa, Kiambu, and Nakuru accounting for about 38%. The private sector is the key driver of this growth, contributing 80% of GDP, of which 90% are MSMEs and 83.38% are in the informal sector¹.

It is also acknowledged that the private sector plays a vital role in urban development as the main producer, consumer, and service partner. It is the largest employer and tax contributor, bringing essential knowledge, skills, and capital to improve urban infrastructure and services. A competitive business environment, reliable infrastructure, and access to skills and finance are critical to fostering private sector growth. The National Urban Development Policy (NUDP) highlights vibrant urban economies, infrastructure, governance and finance, and climate resilience as pillars for inclusive, sustainable growth¹.

Kenya's Vision 2030 and the Kenya Kwanza Bottom-Up Economic Transformation Agenda (BETA) position the private sector as central to achieving middle-income status. The fourth Medium-Term Development Plan (MTP IV) 2023–2027 emphasizes the importance of private sector-led growth through business environment reforms, investment attraction, and climate improvements to drive economic transformation².

The National Urban Development Policy (2016) is operationalized by the Urban Areas and Cities Act (2011) with attendant regulations. Due to the various changes in the management of cities and urban areas, the Ministry of Lands, Public Works, Housing and Urban Development, through the State Department of Housing and Urban Development, (SDHUD) is in the process of reviewing the National Urban Development Policy and publish the Urban Areas and Cities Act Regulations to ensure responsiveness to emerging challenges.

While national agencies³ engage in policy and regulatory reforms and work with counties to streamline business registration, licensing, and operational processes, the constitutional and legal framework⁴ recognizes the competitive advantage of The municipality of Lamu and urban boards

¹ Kenya Institute for Public Policy Research and Analysis (2020). Kenya Economic Report 2020, Creating an Enabling Environment for Inclusive Growth in Kenya- the same counties also account for over half of the total annual County OSR.

² MTP IV (2023 – 2027)

³ Including the Registrar of Companies and Registrar of Societies, the State Department of Trade and the State Department of Investment Promotion and the State Department of Micro, Small and Medium Enterprises (MSMES) Development and its state corporation the Micro and Small Enterprises Authority (MSEA)

⁴ Kenya Constitution (2010), the County Government Act (CGA), 2012, Urban Areas and Cities (Amendment) Act, 2019

and assigns them the pivotal roles of creating enabling and competitive environments for business. To perform these functions effectively, the Municipality of Lamu and urban boards are required to engage with the private sector in the process of planning and implementation of their socio-economic agenda.

Despite the vital role of the private sector in urban development, structured engagement mechanisms are lacking, resulting in fragmented and weak participation in urban planning. Institutionalizing a framework for inclusive, structured engagement can lead to more responsive policies and investments, fostering competitive environments and vibrant private sector growth. Such engagement can leverage private sector expertise, capital, and innovation to improve urban infrastructure and services, while building commitment to shared goals and mutual accountability.

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. Counties, cities, and 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.

Urban 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 urban 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. The Municipality of Lamu and urban 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 urban board level remains inconsistent. While county-level engagement has improved over time, urban 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 inclusive⁵ 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 inclusive⁶ 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 participating urban boards with access to up-to-date business enterprise data to facilitate engagement and planning

⁵ Inclusive planning is a form of integrated planning that supports the creation of cities that accommodate everyone (regardless of their economic status, gender, ethnicity, disability, age, religion, nationality etc) by ensuring that: people have access to affordable and equitable basic services at their disposal usually within 15 minutes, public spaces are accessible to all, prioritises NMT and Mass Public Transit over private vehicles, provides livelihood opportunities and ensures the participation of all stakeholders in the city building process, and particularly the vulnerable and marginalized groups.

⁶ Inclusive infrastructure refers to infrastructure development that enhances positive socio-economic outcome by accounting for the needs of everyone, ensuring equal access to quality services and enhancing access to development opportunities for the broadest segments of society, especially vulnerable and marginalized groups.

- 2) To support urban boards, 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 urban boards 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 the Minimum condition number 8 (MC8) by August 2025, all participating urban area 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 on line 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 urban 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 urban 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.

Development of the framework

The Private Sector Engagement Framework (PSEF) for the Municipality of Lamu was developed through a locally driven and participatory process involving key stakeholders from municipal and county departments, private enterprises, civil society organizations, and community representatives.

While national-level consultations informed the broader model, the Lamu-specific framework was refined to align with the Lamu Integrated Development Plan (IDeP), Municipal Annual Work Plans, and the unique socio-economic profile of the town, particularly its tourism, fisheries, trade, and blue economy sectors.

This process, supported under the Kenya Urban Support Program II (KUSP II), emphasized inclusivity, transparency, and alignment with legal frameworks such as the Urban Areas and Cities Act and the County Governments Act. The resulting framework provides a practical tool to

institutionalize structured public-private collaboration, aimed at enhancing urban development and service delivery within Municipality of Lamu.

Legal Basis and Alignment to Existing County Frameworks and Processes

This Private Sector Engagement Framework aligns with existing county and municipal 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 (Amendment) Act, 2020:** 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 Urban 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, the municipality of Lamu, County assembly 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.

Annex 01 provides a summary of the relevant legislation

Objective of the framework

This PSE framework seeks to provide the municipality of Lamu a common approach to guide urban 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:

- a) Increased private sector participation in urban planning and development;
- b) Better alignment of urban policies with private sector needs;
- c) Enhanced collaboration between urban boards and private sector entities;
- d) Leveraged private sector expertise and resources for infrastructure and service delivery; and
- e) 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 urban 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.

Figure 1: 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 system⁷ 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 urban 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 urban board appointments, county plans, IDEPs and urban board budgets, and oversees urban development policies and regulations.</p>
Urban boards	<p>Implement the PSE Framework, incorporating activities into IDEPs, annual plans, and budgets. Oversees urban administration in executing these plans. The Urban Manager ensures the PSEF contains a performance framework, manages implementation and reports on PSEF activities.</p>
Private Sector	<p>Private Sector: Engages in dialogue with urban boards to influence policy, urban planning, and investment priorities. Offers resources, technology, and 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</p>

⁷ KeSIC is a domestication of International Standard Industrial Classification of All Economic Activities (ISIC Rev 4) ensuring international comparability of statistics relating to economic activities.

	<p>representation and engagement with urban 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 urban 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 urban 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. They ensure that urban development is inclusive and addresses broader social, economic, environmental, and community concerns, bringing marginalized voices into the conversation.</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. They have an interest and stake in its development.</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 County and urban boards 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 the municipality, 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 urban boards 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:**

A private sector diagnostic is an essential foundational exercise for developing an inclusive, evidence-based Private Sector Engagement Framework. It enables governments, municipalities, and development stakeholders to assess the existing business environment, identify constraints to private sector growth, and pinpoint actionable interventions to catalyze economic transformation. In the context of the municipality of Lamu—which covers the wards of Mkomani, Shella, Hindi, and Basuba—this diagnostic will guide efforts to harness the potential of private investment, enterprise development, job creation, and local innovation, in alignment with sustainable development goals and county economic blueprints.

Objectives of the Private Sector Diagnostic

The objective of the PSD is to identify opportunities where the private sector could have a larger positive development impact, and to recommend specific actions that will help to enable transformative private investment in the short to medium term in critical economic sectors.

The private sector diagnostic for Municipality of Lamu seeks to:

- Evaluate the current status and structure of the private sector within each of the municipality's four wards.
- Identify systemic, regulatory, infrastructural, and institutional barriers to private sector

development.

- Examine sectoral opportunities and constraints within key value chains (e.g., tourism, fishing, construction, retail, maritime logistics).
- Assess the quality and availability of workforce skills and business services.
- Recommend targeted policy, regulatory, and infrastructure interventions.
- Provide an evidence-based foundation for the Private Sector Engagement Framework.

The value of the CPSD is also the explicit focus on sectors. The primary objective of the PSD is to provide sector-specific insight and analysis, in addition to a review of cross-cutting issues relevant to those sectors building on other analytical diagnostics.

Methodology and Guiding Tools

The World Bank Toolkit for Competitive Cities and Counties

This diagnostic will leverage the World Bank’s Toolkit for Competitive Cities—a structured tool for subnational economic development. The toolkit includes modules on:

- Institutional and governance structures
- Regulatory reforms
- Business enabling environment
- Investment climate analysis
- Skills development
- Infrastructure gaps
- SME ecosystem support

Other guiding tools include:

- Doing Business Subnational Indicators (World Bank)
- OECD Local Economic and Employment Development (LEED) Guidelines
- UN-Habitat Urban Economy Framework
- Kenya Investment Policy (Ministry of Investment, Trade and Industry)
- County Integrated Development Plan (CIDP) for Lamu.
- Municipality of Lamu Urban Economic Plan.

Key Steps in Conducting the Diagnostic

Step 1: Desk research and stakeholder mapping

1. Desk research of urban plans, policy budget documents, assessment reports and studies, existing data on the business environment and the enablers and key constraints facing private sector firms.
2. Stakeholder mapping: map county and urban officials, the private sector and other actors.

Step 2: Preparation of diagnostic tools

Preparation of diagnostic tools i.e., interview frames and data collection tools using The World Bank Toolkit for Competitive Counties in Kenya⁸ provides analytical framework to identify needs and categorize interventions that the city or municipality can employ to improve the business environment, attract the private sector and facilitate job-led private sector growth across four policy levers:

⁸ *The World Bank Toolkit for Competitive Counties in Kenya. A Practical Tool to Promote Firm Competitiveness for Jobs and Economic Transformation at the Subnational Level in Kenya (2022)*

A. Institutions and regulations

The following allows the definition of interventions related to policy and regulatory review, business process reengineering, legal regulation i.e., zoning, development control, rates, fees and levies, licenses.

- i. To evaluate the efficiency and transparency of regulatory processes, including business registration, licensing, and permitting.
- ii. To understand the effectiveness of urban institutions and policies in facilitating business operations and resolving disputes.
- iii. To assess the enforcement of property rights and contract enforcement mechanisms within the municipality.

B. Infrastructure and land

The following will help to identify interventions and investment requirements related to infrastructure and land i.e., roads, public spaces, markets, transportation, communications, land and zoning i.e., export processing zones, co-location arrangements for similar firms in dedicated zones and/or office space, improving public utilities and services i.e., electricity, water, and sanitation.

- i. To assess the municipality's infrastructure and services, including transportation networks, utilities (water, electricity, telecommunications), municipal services i.e., water, waste management, security, power and digital connectivity, how they support business growth and identify infrastructure gaps and prioritize investments needed to improve connectivity and access to markets.
- ii. To evaluate land use policies and zoning regulations and if they support or limit business growth and investment.

C. Skills and innovation

The following will support the definition of interventions related to vocational training and workforce development for demand-driven market-oriented skills, innovation hubs, partnerships and networks.

- i. To identify skills gaps and mismatches in the labor market and explore opportunities for workforce development.
- ii. To assess the availability and quality of education and vocational training programs within the municipality to meet the local labour market demands.
- iii. To evaluate the level of innovation and entrepreneurship within the local business community, and the support for research and development activities.

D. Enterprise support and finance

The following will allow definition of interventions and partners to facilitate access to capital, research and advisory services i.e., business scans, market linkage assistance, business development service, trade and investment promotion, branding.

- i. Analyze the availability of financial services, including banking, microfinance, and venture capital, for local businesses.
- ii. Review existing enterprise support programs and business development services offered by the municipality or external partners.
- iii. Identify barriers to access to finance and explore innovative financing mechanisms to support small and medium-sized enterprises (SMEs).

Step 3: Data collection, interviews and consultations

1. Hold meetings and interview county and urban officials to discuss the challenges affecting the private sector from the county/urban board perspective; the current plans to resolve the challenges.
2. Hold with representative sample of individual private sector firms and representatives from associations and coordinating bodies/groups identified as relevant. A workshop format can be used to bring representatives from different associations and coordinating bodies/groups together. Use the data collection and interview frame organized around the four policy levers to capture the data.
3. Adopting the questions in the TCC.

Step 4: Carry out urban institutional analysis

1. Using a structured, participatory, analytical process to assess and understand mandates, structure, fiscal status, incentives and existing capacity of the urban boards to act, support and pursue necessary interventions. Build on the desk research, hold consultations with urban and county officials to better understand mandates, roles and responsibilities, reporting lines, resources and capacities.
2. The assessment should be used to identify any gaps in capacity and recommend the types of capacity building needed by the board.
3. Adopting the questions in the TCC.

Step 5: Data analysis

1. Collate and analyze the data and outputs from the consultations captured and organized around the four policy levers.
2. Apply a SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) of the private sector based on the four policy levers.
3. Preparation of preliminary report on findings and recommendations.

Step 6: Definition and prioritization of interventions

1. Using the PPDF as a platform to bring together the public and private sector actors to discuss the proposed interventions and to reach agreement on common goals, priorities aligned to the institutional mandates, roles and responsibilities, capacity and resources of the urban board. Assigning roles and responsibilities to the county and other agencies.
2. It should also define the roles and responsibilities of the private sector, and the potential resources and opportunities for partnerships.
3. Process should result in agreement on common goals, prioritize interventions around the policy levers, the roles and responsibilities, resource requirements, opportunities for partnership.
4. Adopt templates for organizing the outputs in the TCC.

Step 7: Preparation of report and action plan

1. The urban board will prepare and submit a summary report (sample template provided in the toolkit) with action plan and monitoring framework to track progress and evaluate outcomes. This will be used to inform the preparation of IDEP and other relevant plans.
2. The report should be made publicly available.
3. Participating urban boards will be assessed on completion of the diagnostic and disclosing the report in the third performance assessment.

Guiding Principles for Conducting a Successful CPSD

Based on the experience of especially impactful PSDs, counties should note the following principles to guide their approach:

1. Adopt an inter-disciplinary, consultative approach that draws on local knowledge

- Embrace multidisciplinary approaches
- Convene public and private investment expertise across sectors and policy areas
- Build on local knowledge, particularly WBG country teams and the local private sector

2. Leverage existing analysis and fill knowledge gaps

- Utilize existing internal and external analyses – avoid duplication
- Synthesize information and seek new insights on existing knowledge
- Fill critical knowledge gaps, including by conducting new and updating outdated analysis

3. Iterate and fine-tune throughout the process

- Iterate throughout the process—synthesizing, revising, and refining information to focus the analysis and improve the sequencing and prioritization of recommendations
- Iterate throughout the methodological steps outlined in this note, as well as through communication with colleagues and stakeholders.

10 key questions the CPSD aims to answer

Contextual Questions

Answering these questions will help capture county context, the most pressing development challenges, and the role the private sector plays or could play to address these in the near term.

Question 1: What are the county's main development challenges the private sector can help address in the near term?

This first question is critical to frame the CPSD narrative, and through the iterative process of preparing the diagnostic, will need to be revisited and refined as the team addresses each major question.

Dimensions to consider: slow and/or low-quality growth; demographic pressures on job creation; gender inequality; high vulnerability to climate change; digital divide; lagging regions; concentration in commodity-based exports; declining terms of trade; fragility/conflict; governance, geography (e.g., landlocked, small island); availability of resources. The CPSD does not aim to provide solutions to all development challenges, but should identify and focus on areas where the private sector could drive inclusive economic growth and job creation, and/or provide essential goods and services, within a 3-5 year horizon subject to certain conditions (e.g., reforms). The 1-page guidance for each question, provided in the next section of this note, details frameworks and tools that can be useful to teams.

Question 2: What is the state of the private sector, what are its main characteristics and what role does it play in the county's development?

Dimensions to consider: Sectoral contributions to GDP distribution of jobs, size and age of firms, informality, trade performance, value chain participation, level of private investment, extent of

diversification including within broad sectors, FDI, productivity, innovation. Corporate sector composition, structure and ownership (including connected firms, direct state participation and relative size of SOEs vs. private sector). An analysis of the role of the private sector in possible reform processes and the political feasibility of reform is addressed in Questions 9 (Q9) and Q10.

Analytical Questions

The objective of the following questions is to identify private investment opportunities with strong development impact, the main cross-cutting and sector-specific constraints following the CPSD sector analysis framework, and practical, feasible solutions to address constraints within the next 3-5 years.

Question 3: Which policy issues are major cross-cutting constraints to private sector led growth?

Dimensions to consider: political economy, governance, macro-fiscal management, trade policy, investment policy, competition policy, product market regulations, innovation & entrepreneurship, land policy, labor policy, capital markets. The analysis should consider the most recent CEM. The severity of constraints can be assessed through both benchmarking, surveys, consultations, as well as through sector assessments (Questions 4, 5, 6 and 7 below) as they pertain to the specific development challenges identified in Q1. The idea is not to discuss all cross-cutting constraints, but only the ones which are directly related to these development challenges and/or pervasive across the economy.

Question 4: Which enabling sector issues are major constraints to the private sector?

Dimensions to consider: access and availability as well as performance (e.g., quality and affordability of the services) of enabling sectors (transport, power, water, digital infrastructure, finance, business services, education, health) and relevance to the firms/sectors driving growth and jobs as well as the provision of essential goods and services as per the specific development challenges identified in Q1.

Question 5: In which enabling sectors can the private sector contribute as innovator, operator or financier? Which actions can be taken to facilitate more private sector engagement and investment?

Enabling sectors to consider: transport, power, water, digital infrastructure, finance, business services, education, health. This analysis should consider any recent InfraSAP or FSAP, and seek to apply the MFD/Cascade framework.

Question 6: In which tradeable sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?

Tradeable sectors to consider: agribusiness, manufacturing, mining, tourism, tradeable/digital services. Effort should be made to identify opportunities at the subsector level.

Question 7: In which domestic sectors can the private sector drive growth and the creation of more and better jobs? Which actions can be taken to better support private sector growth and investment?

Domestic sectors to consider: construction (including housing), wholesale and retail trade, personal services.

Figure 2: CPSD sector analysis framework

Table 1: CPSD sector analysis framework	
Focus	Content
1. Sector characteristics	<ul style="list-style-type: none"> - Sector size and growth trends (output and jobs), main subsectors/ locations; - orientation of trade (market share, position in regional and global value chains, product/service segmentation) - Firm characteristics: size and age of firms (entrepreneurship, SMEs), informality - Corporate sector structure and dynamics: ownership structure³ (MNCs, SOEs, domestic firms), competitive dynamics. - Major government policies/initiatives in the sector – impact of which to be assessed.
2. Sector performance	<ul style="list-style-type: none"> - Benchmarking against structural and aspirational peers. - Outputs: <ul style="list-style-type: none"> o Sales, value addition, imports/exports for tradeable sectors o Quality/price, access, impact on other sectors for enabling sectors - Inputs: <ul style="list-style-type: none"> o Intermediate inputs (cost/quality) o Labor, capital and land inputs (cost/quality) – especially for tradeable sectors - Productivity drivers (integration, reallocation, upgrading) - Recent trends in (domestic and foreign) investment - Environmental and social externalities (positive or negative)
3. Sector potential	<ul style="list-style-type: none"> - Potential to fill gap with aspirational peers/potential competitors/market leaders - Sources of comparative advantage (human, cultural, natural resources, location) - Positioning vis-à-vis demand and supply trends, investment trends
4. Constraints on growth and investment	<ul style="list-style-type: none"> - Policy constraints e.g., policies restricting entry, increasing the cost/risks of doing business and/or distorting the playing field - Performance issues in related sectors (enabling, upstream/downstream). - Market failures and distortions (e.g., monopolies/monopsonies, unintended effects of government policies, coordination failures, environmental/social externalities).
5. Prioritized Recommendations	<ul style="list-style-type: none"> - Possible solutions to removing a critical mass of constraints in the sector taking into account legitimate government policy objectives and minimizing distortive effects. Prioritization and sequencing taking into account feasibility (political economy, financial/political cost) -

Synthesis Questions

The following questions synthesize the answers to the previous questions into a concise summary of private investment opportunities, their expected development impact, the practical/feasible measures/reforms needed to trigger them within 3-5 years based. They should help the team articulate a clear theory of change based on an “if-then” framework.

Question 8: Where are the most important and feasible opportunities for private investment to transform or create markets in the near term?

Sectors to consider: the sectors identified/assessed when answering Q5, Q6 and Q7, prioritizing between them based on expected development impact (informed by Q1) and feasibility of removing the constraints.

Question 9: Which actions (cross-cutting, sector-specific) could have the greatest impact on unleashing private sector growth? How should these be prioritized based on impact, urgency and feasibility?

Measures to consider: policy reforms, investments in public goods, technical and financial support to firms following competitive process (e.g., PPPs, de-risking). These measures should follow the MFD/Cascade Framework, and be prioritized based on their expected impact and the feasibility of implementing these measures (Q8). Sequencing of reforms may include “second best” partial or pilot reforms to develop reform momentum.

Question 10: How to get started with implementation and how could the World Bank Group help?

This question is intended to help the team consider the transition from the final CPSD report and potential follow-up activities. Next steps to consider: stroke-of-the-pen no-regret reforms, recommending CPSD Phase 2 Deep Dives to provide further market intelligence or elaborate a reform roadmap/action plan, creation of a reform team to lead broad reform process, etc.

Analytical Framework for the Diagnostic

SWOT Analysis

A ward-level SWOT analysis helps understand competitive advantages and constraints. This SWOT analysis is a strategic tool used to identify and evaluate the internal strengths and weaknesses, as well as external opportunities and threats, specific to each ward within the Municipality of Lamu. By dissecting the unique characteristics of Mkomani, Shella, Hindi, and Basuba, this analysis helps uncover the competitive advantages that can be leveraged to drive local economic growth—such as Shella’s tourism potential or Hindi’s agricultural base—while also highlighting challenges like poor infrastructure or regulatory bottlenecks. It supports

evidence-based planning by offering a clear picture of where targeted interventions can yield the most impact, and where risks need to be mitigated through policy or partnership strategies. This localized lens ensures that private sector engagement is contextually grounded and responsive to the diverse realities across Lamu's wards.

Value Chain Analysis

Identify priority sectors, map each value chain, and diagnose bottlenecks. Value chain analysis in the Municipality of Lamu involves identifying and evaluating the key economic sectors that hold the greatest potential for private sector growth and job creation, such as tourism, fishing, agriculture, maritime logistics, and small-scale manufacturing. Each value chain is mapped from production through to processing, distribution, and market access, enabling a clear understanding of how goods and services flow and where value is added—or lost. For instance, in the fishing sector prevalent in Shella and Mkomani, bottlenecks may include limited cold storage, lack of modern fishing gear, and poor transport infrastructure to markets. In agriculture-dominated areas like Hindi, challenges might include low productivity, weak farmer–market linkages, and limited agro-processing capacity. By diagnosing such constraints, the Municipality can design targeted interventions—such as improving storage, logistics, skills training, or regulatory support—to strengthen the entire value chain and make it more attractive for private investment.

Regulatory Mapping and Gap Analysis

Map all regulatory frameworks and highlight reform areas. Regulatory mapping and gap analysis in the Municipality of Lamu involves a comprehensive review of the laws, policies, and administrative procedures that govern business operations at the local, county, and national levels. This includes analyzing regulations related to business registration, licensing, land use, taxation, environmental compliance, trade permits, and labor. In Lamu's context, small and medium enterprises across Mkomani, Shella, Hindi, and Basuba often face cumbersome and overlapping regulatory requirements, unclear land tenure systems, and delays in permit approvals that hinder business growth and investment. The gap analysis identifies these inefficiencies and areas where reforms are urgently needed—such as simplifying licensing procedures, enhancing transparency in land administration, and harmonizing county and national regulatory functions. By streamlining these frameworks and establishing more predictable, efficient processes, Lamu Municipality can create a more enabling environment that encourages private sector participation and reduces the cost of doing business.

Data Sources and Collection Approaches

In developing a Private Sector Engagement Framework for the Municipality of Lamu, a robust and inclusive data collection approach is critical to ensure evidence-based decision-making. Primary data will be gathered through structured surveys, focus group discussions, and key informant interviews with local entrepreneurs, community leaders, youth and women groups, investors, and government officials across the four wards of Mkomani, Shella, Hindi, and Basuba. This will provide real-time insights into the challenges and opportunities facing local businesses. Complementing this, secondary data will be sourced from existing county statistics, national economic surveys, World Bank and UN reports, the Lamu County Integrated Development Plan (CIDP), and relevant trade publications. These secondary sources will offer broader contextual and historical data. To enhance data accuracy and efficiency, the use of digital tools such as KoboToolbox or Open Data Kit (ODK) is highly recommended, especially in remote and underserved areas like Basuba, where traditional data collection methods may be less feasible. Together, these data sources will inform a nuanced and targeted private sector engagement strategy that reflects local realities.

Output of the Diagnostic

The output of the private sector diagnostic for the Municipality of Lamu will serve as a cornerstone for designing a practical and responsive Private Sector Engagement Framework. The report will first present a comprehensive **Private Sector Baseline Profile**, detailing the current economic landscape, enterprise demographics, and investment trends across the four wards—Mkomani, Shella, Hindi, and Basuba. It will then outline **prioritized sectoral opportunities and gaps**, such as the untapped potential in sustainable tourism, agro-processing, and the blue economy, alongside constraints like limited infrastructure and access to finance. The diagnostic will also provide **policy, institutional, and investment recommendations**, targeting reforms in areas such as licensing, skills development, land administration, and public-private partnerships. Finally, an actionable **Implementation Roadmap** will be developed to guide the municipality and its stakeholders in rolling out targeted interventions over the short, medium, and long term. This structured output will ensure that Lamu's private sector growth is strategic, inclusive, and sustainable.

- 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.

Urban boards should encourage business entities to affiliate and form/join business associations, which apply for accreditation, allowing for more structured engagement and credibility.

Terms of Reference (TOR) for Public–Private Dialogue (PPD) Forum Kenya Urban Support Program (KUSP II) – Municipality of Lamu

Background

Municipality of Lamu is implementing urban development and institutional strengthening activities under the Kenya Urban Support Program (KUSP II) to enhance urban service delivery, infrastructure and local economic development. Effective delivery requires structured collaboration between the urban boards, county departments, national government agencies operating locally, private sector actors (formal and informal), civil society, development partners and communities. To enable this collaboration, Municipality of Lamu establishes a Public–Private Dialogue (PPD) Forum to convene stakeholders for co-creating solutions, addressing implementation bottlenecks and catalyzing investment and jobs while upholding transparency, inclusion and value for money.

Purpose of the TOR

This TOR sets out the mandate, composition, roles, operating procedures and deliverables of the PPD Forum to guide its establishment and day-to-day functioning in support of KUSP II activities within the municipality of Lamu.

Objectives of the PPD Forum

- Provide a predictable, inclusive platform for public and private stakeholders to discuss urban priorities, policy and regulatory issues and project implementation matters relevant to KUSP.
- Jointly identify, prioritize and refine urban investment concepts and service improvements that expand access, productivity, safety and resilience.
- Surface and resolve constraints affecting timely, compliant delivery of KUSP projects (e.g., approvals, land, utilities, contractor performance, market access).
- Track commitments, disclose progress and strengthen public participation and feedback loops.
- Mainstream gender, youth and PWD inclusion; ensure environmental and social risk management and promote climate-resilient, people-centered urban development.

Municipality PPDF TOR

1. **PPDF Secretariat:** The urban board will create a PPDF secretariat headed by the urban manager and co-opt officers to support the manager to plan and organize the PPDF.

2. **Organizing the PPDF:** The manager will use the database of local businesses and the register of accredited business associations, interest groups such as resident's associations, professional associations and other dialogue partners to identify, cluster and invite them to become members of the forum. The manager may cluster businesses and associations by sector or industry, size or special interest group to adequately reflect the local urban economy for effective engagement. Each representative should demonstrate they legitimately represent their cluster, association or interest group. The clusters, associations and other entities will be required to demonstrate they have engaged their membership to define the issues of interest and priorities they seek to be addressed and to nominate a representative to participate in the forum. Representatives will then meet in plenary sessions to agree on the collective private sector priorities to be submitted to the urban board for consideration.
3. **Convening of the PPDF:** The board member representing the private sector or chairing the board's committee responsible for matters related to the economy/trade/business environment will convene and chair the initial PPDF. The initial agenda will involve establishing the membership and governance arrangements, the format of the dialogues and decision-making processes.
4. **PPDF Institutional and membership framework**
 - a) **Leadership:** The board member responsible for the PPDF will chair the forum, with a private sector representative serving as co-chair.
 - b) **Secretariat:** Led by the urban manager (who will act as secretary), the secretariat will manage the forum's operations. Private sector representatives with relevant skills may volunteer to join to provide technical and administrative support.
 - c) **Membership:** The PPDF membership will be open and inclusive of both formal and informal enterprises, adhering to the 2/3 gender rule and ensuring representation from persons with disabilities. Accredited business associations will be encouraged and preferred as members to facilitate effective engagement. The business associations cluster maybe formed as necessary to streamline engagement. These will be expected to convene their members to prioritize needs and submissions. The business associations clusters will be required to demonstrate evidence that they have established representative governance structure, open and transparent processes including notice of meetings and agenda, lists of participants, meeting minutes, agreed priorities for submission in the prescribed format to be provided.
 - d) Other dialogue partners and stakeholders, 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 needed.
 - e) **Working groups** may also be created, aligned with local industry sectors or policy priorities. The working groups will nominate a chair and secretary and carry out necessary analytical work supported by the urban administration and meet as necessary to deliberate and advice the plenary deliberations and recommendations
 - f) **Calendar of meetings and reporting:** The **plenary PPDF** will meet at least twice a year, timed to influence key decision-making processes in the county and urban

planning and budget process (see outline of calendar and agenda below). The urban manager will prepare and publish the calendar and meeting agenda.

- g) **Dialogue format:** The forum agenda and process will involve the presentation, negotiation, and agreement of the priorities around the four policy levers. The format of the dialogue should promote the open exchange of local knowledge, expertise, and evidence-based insights. The discussions should be informed by data and reports, including policies, spatial plans, private sector diagnostics and local economy assessments, and sectoral studies, to provide analytical perspective of the economy and business environment, the potential, the challenges and the possible policy actions, investment and partnership opportunities.

5. Sector specific and business association cluster dialogues: As the membership grows the board may cluster businesses and associations by sector or industry, engaging each cluster to define needs and priorities. Representatives from these clusters will then meet in plenary sessions to agree on the collective private sector priorities for submission for consideration into urban plans and policies

6. Action plan follow-up: The urban manager will follow up to ensure the reports are received by the urban board and report back to the plenary on the board's decisions and actions taken. If interventions require action beyond the board i.e., by county government or other public agencies, the manager will coordinate with the relevant actors and provide updates.

7. Monitoring and Accountability: The urban manager will monitor the progress of the PPDF action plan, track follow-up actions, maintain records, assess outcomes, and evaluate the effectiveness of the dialogue. This process will support continuous improvement in performance. The participating urban boards will be required to hold a minimum of two meetings per year (annual verification) and have records including minutes of meeting that include a list of participants, a summary of deliberations, including private sector input to urban development plans.

8. Expected Outputs and Deliverables

- Established stakeholder directory and forum database
- Annual stakeholder engagement plan and calendar of meetings
- Quarterly meeting reports, including key decisions and follow-up actions
- Policy briefs and recommendations submitted to the Municipality or County Executive
- Jointly developed investment/project proposals
- Reports on private sector participation and community engagement in KUSP implementation
- Resolution tracker for bottlenecks and challenges in KUSP projects

9. Review and Amendment of TOR

The municipality of Lamu is implementing urban development and institutional strengthening activities under the Kenya Urban Support Program (KUSP II) to enhance urban service

delivery, infrastructure and local economic development. Effective delivery requires structured collaboration between the urban boards, county departments, national government agencies operating locally, private sector actors (formal and informal), civil society, development partners and communities. To enable this collaboration municipality of Lamu establishes a Public–Private Dialogue (PPD) Forum to convene stakeholders for co-creating solutions, addressing implementation bottlenecks and catalyzing investment and jobs while upholding transparency, inclusion and value for money.

The details of the components are provided below:

1. Private sector database for urban boards

To engage effectively in urban planning and development, urban boards should know the profiles and 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 urban 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: County government departments collect and store this data in the performance of their respective functions. 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 urban boards as an initial basis for their private sector databases. The county departments responsible for the SBP data should grant urban boards 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 (municipality) of operation through a standard dropdown list of all urban areas to facilitate data disaggregation and sharing to the respective urban area⁹. While the business location/address (in some cases GIS coordinates) is included fields for urban area i.e., the 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 urban boards 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, tourism, fisheries and cooperatives also possess valuable data on businesses and trade associations and cooperatives captured in the performance of their functions.

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 urban 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 urban boards.

Primary data collection: Urban boards 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 (e.g. for Laikipia), and conducts enterprise surveys. MSEA registers MSE associations and is also involved in surveys.

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) system⁹, 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 urban boards should create and maintain database management systems (for example, using MS Excel). They may employ 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 urban board can tap into and leverage through partnerships. Boards may explore partnerships with data

⁹ KeSIC is developed by the Ministry of Labor and Social Protection and Kenya National Bureau of Standards (KNBS) and is a domestication of International Standard Industrial Classification of All Economic Activities (ISIC Rev 4) ensuring international comparability of statistics relating to economic activities.

analytics companies to assist in providing customized solutions, including on data extraction, analysis, mapping and visualization.

Data privacy and security: Urban boards must 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: Once established, the urban boards should 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.

2. 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.

Urban boards should 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 urban 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**¹¹ 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.

¹¹ World Bank (2022). *Toolkit for Competitive Counties in Kenya. A Practical Tool to Promote Firm Competitiveness for Jobs and Economic Transformation at the Subnational Level in Kenya*: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099060723075540946/p1768210335e4d0009ba9055776f10b96a>

- 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 should 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.

The Municipality of Lamu should support the urban board 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.

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

Urban boards should 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 stakeholders¹², 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 should inform the preparation, implementation, and review of **Integrated Development Plans (IDePs)**, annual urban area plans and budgets, land

¹² Public actors i.e, relevant county departments and ministries departments and agencies, and other urban market system actors and stakeholders operating in the city or municipality i.e., professional association, research and learning institutions, development agencies, non-governmental organizations (NGO), civil society organizations (CSO), urban residents associations.

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 urban 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 urban 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 urban board as per the **UACA Draft Regulations, 2022** which provides guidance on this accreditation process. The urban 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.

Convening the Public-Private Dialogue Forum (PPDF)

Municipality of Lamu will establish a structured Private Sector Dialogue Forum, designed for adoption and implementation by the Urban Board. This forum will be aligned with existing county and municipal frameworks, and its development will be guided by the County Government's public participation guidelines. The objective is to ensure coordinated and meaningful engagement with the private sector across all urban areas, thereby informing inclusive urban planning and development. Where possible, the initiative will leverage existing engagement mechanisms such as those within the Department of Trade, to enhance efficiency and continuity. The Urban Board will be responsible for operationalizing and providing the necessary resources for the Public-Private Dialogue Forum (PPDF).

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 should establish a secretariat led by the urban 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. **PPDF membership:** The board should 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 should 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: County departments and 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 should 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 urban manager 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 should 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 urban 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 urban 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**, urban boards are required to hold citizen fora, providing a platform where representatives of urban residents, the urban 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 urban 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 urban board planning and budgeting calendar.

4. Capacity building and outreach

To ensure effective implementation of the framework, urban boards should develop a comprehensive **capacity-building and outreach strategy**. As per the **Second Schedule of the UACA (Amended 2019)**, urban 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.

Urban Board Capacity: The urban board should 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 urban board should strengthen the private sector's capacity through targeted outreach and training activities.

The board should 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 MSEA¹³, 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 urban manager is responsible for planning and budgeting the capacity-building activities for the urban 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

¹³ MSEA is mandated to coordinate and harmonization of public and private sector initiatives for the promotion, development and regulation of micro and small enterprises.

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.

5. Communication and feedback channels

Establishment of clear, accessible channels for timely, two-way communication and information dissemination is essential for effective engagement efforts. The boards should leverage technology to ensure efficient communication flow and equitable access to information. The urban 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, should be published on the municipality's website.

6. 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:

Urban Board:

1. **Urban 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 and supervise the Urban Manager in its implementation, ensuring alignment with a clear performance framework.

Urban Administration:

Urban 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.

City/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 urban board annual capital and recurrent budgets for provision of office space, equipment, ICT tools, engagement activities, meetings and travel.

Coordination mechanisms

- 1) Coordination mechanisms to ensure horizontal linkages across urban departments and vertical connections between urban structures, The municipality of Lamu, 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 urban 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 department 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 urban 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 urban 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 urban 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, urban boards 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 1: 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

	<p>collection.</p> <ul style="list-style-type: none"> • 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 urban 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.
Resource risks: Inadequate financial and human capacity to conduct activities	<ul style="list-style-type: none"> • Identify staffing needs and capacity gaps for the PPDF and include them in the urban 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 urban board's annual plan and budget. • Integrate priority interventions identified in the forums into the urban board's annual strategic plan and budget.

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-urban board collaboration:** Establish effective collaboration between the county and urban 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 urban 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) members.

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ANNEXES

Annex 01: Summary of the relevant legislation

Annex 02: Alignment and linkage to the urban governance regulatory framework

Annex 03: List of data/fields for the private sector database indicating the data already captured in the SBP application form and additional data suggested

Annex 04: Suggested calendar for two annual forums aligned to the urban board planning and budgeting calendar

Annex 05: Sample results framework.

Annex 01: Summary of the relevant legislation

Legal instrument	Article/Section	Provision	Details of provision
Constitution of Kenya (2010)	Article 184	<i>Governance and management of urban areas and cities</i>	<i>National legislation on the governance and management of urban areas and cities shall provide for the participation of residents</i>
County Government Act (CGA), 2012	<i>Part VIII</i>	<i>Citizen participation</i>	Outlines the principles of public participation, the rights of citizens, requires for the establishment of modalities and platforms for citizen participation by The municipality of Lamu and all decentralized units of the county
	<i>Section 104</i>	<i>Obligation to plan and to promote public participation in the process</i>	Urban areas are designated as planning authorities and required to promote public participation in the process
	<i>Section 105</i>	<i>County planning units</i>	County planning units should ensure the collection, collation, storage and updating of data and information suitable for the planning process
	<i>Section 115</i>	<i>Citizen participation in county planning</i>	Requiring that public participation in county planning is mandatory; counties are required to develop laws, regulations and establish mechanisms as provided in Part VIII
Urban Areas and Cities (Amendment) Act, 2019	Section 11 (d)	<i>Principles of governance and management</i>	Requires the institutionalized active participation by its residents in the management of the urban area and city affairs
	Section 13	<i>Private sector representation on Boards of Cities</i>	On the composition Boards of Cities which are responsible for governance and management of urban areas <i>provides for two of the nine members to be nominated by private sector organizations:</i> <i>(2)(b) an association representing the private sector in the area;</i> <i>(2)(c) a cluster representing registered associations of the informal sector in the area;</i>
	Section 14	<i>Private sector representation on Boards of Municipalities</i>	<i>On the composition of Board of Municipality provides for two of the nine members to be nominated by private sector organizations</i>

			<p>(3)(b) an association representing the private sector in the area;</p> <p>(3)(c) a cluster representing registered associations of the informal sector in the area;</p>
	Section 21	<i>Powers of the boards of cities and municipalities</i>	(1)(g) to ensure participation of the residents in decision making and, in its activities, and programmes in accordance with the Schedule to the Act as provided in the The municipality of Lamu Act, 2012 and any other national legislation on public participation
	Section 22	<i>Citizen for a</i>	<i>Subject to the Second Schedule provides for urban residents to deliberate and make proposals on county and national policy and legislation, plans and budgets; and monitor the activities of officials and board members cities and urban areas. And for Urban boards to seek and receive petitions and representations from citizen fora on the management and administration of urban affairs within its jurisdiction and functions and make recommendations on issues raised for implementation and reporting by the Urban Manager on decisions made on the recommendation. Including on service provision, development plans (i.e., IDEPs) and budgets, policies and legislation.</i>
	Second Schedule	<i>Rights of, and participation by residents in affairs of their city or urban areas</i>	<i>Outlines the rights and duties of residents; requires that city or urban areas develop systems of governance, mechanisms, processes and procedures that encourage citizen participation in its affairs; apply resources and build capacity of urban residents to do so</i>
	Section 45(1)		<i>Three months before the commencement of each financial year, a board or town committee shall cause to be prepared estimates of the revenue and expenditure of a board or town committee for that year</i>
Draft UACA Regulations, 2022	19 Fifth and Sixth schedules	<i>Registration, accreditation, and clustering of business community within urban areas and cities</i>	<i>Guides the process for the urban boards to accredit and maintain a register updated annually of business associations operating within the specified urban area, city, municipality for the purpose of promoting consultation; to</i>

			<i>facilitate the process the business associations shall apply for accreditation as prescribed in the Fifth Schedule and Urban Board will issue a certificate of accreditation as prescribed in the Sixth Schedule once satisfied the association has meet the requirements which are proof of existence for two years, proof or registration by the competent, recognized body under the requisite law, proof of membership of at least 25% of the persons undertaking the business/economic activity under that relevant business area, active participation of its members in the management and governance of the association</i>
	27	<i>Promoting active citizenship and participation.</i>	<i>For purposes of promoting vibrant and active citizenship and participation in urban areas and cities, the Boards shall put in place measures to (a) map representative groups within the urban area or city; (b) set up appropriate platforms for engagement and participation; (c) empower residents through capacity development initiatives on urban development matters; and (d) set up community outreach programmes.</i>
	31(1)	<i>Citizen fora composition</i>	The citizen fora shall comprise of (a) accredited neighbourhood associations in the area; (b) registered associations of the informal sector including market committees and public transport associations in the area; (c) the association representing the private sector in the area; (d) professional associations in the area; (e) the association of business community in the area; (f) Faith Based Organizations; and (g) any other entity that the Boards or the Committees may deem necessary. . These entities may participate as clusters in their respective organizations.
	32, 33		<i>Provides for the convening of the fora, election and responsibilities of an executive committee. And the conduct of meetings</i>

Public Financial Management Act (2012)	175	<i>Budget and budget process for urban areas or cities</i>	<i>Requires urban boards involve the public in budget making processes. Provides the budget process for urban areas and cities i.e., the urban board shall prepare a strategic plan based on the IDEP consistent with the CFSP as basis for the urban budget estimates; and the public given the opportunity to participate in the process as per Second Schedule, Urban Areas and Cities (Amendment) Act, 2019</i>
Access to Information Act, 2016	Sec. 4 and 5	On Right to information and disclosure of information by public entities	The Act guarantees the right of access to information held by public entities, including The municipality of Lamu. It ensures transparency and accountability in the governance processes by allowing citizens to access relevant information.
Data Protection Action, 2019	Part X1 Section 72	On offences of unlawful disclosure of personal data	The Act provides outlines offences related to unlawful disclosure of personal data and information
Public private partnerships Act, No 15, 2012	Section 19 and 20	Public Private Sector partnership on Section 19 and Section 20 Sector Diagnostic Study and Assessment	Public private partnerships Act, No 15, 2012 provides for the private sector engagement and undertaking diagnostic study of the local economy on Public Private Sector partnership and Section 20 Sector Diagnostic Study and Assessment
The County Licensing (Uniform Procedures) Act 2024	<i>Sec. 4e</i>	<i>Coding system</i>	The Act provides for Counties to establish and implement a system that designates different codes for the different categories of licenses issued by that authority.
County Assembly Standing Orders	PART XXVII	Public access to the county assembly and its committees	County assemblies have their standing orders that outline the procedures and mechanisms for public participation in the legislative processes. These orders provide guidance on how the public can engage with the assembly.
Relevant local county policies and legislation			Relevant county policies, act and guidelines guiding public participation, private sector engagement, land, trade, cooperatives, investment and revenue management.

Annex 02: Alignment and linkage to the urban governance regulatory framework

<p>Private sector database, maintaining a register of accredited business association; outreach and capacity building of business associations.</p> <p>Purpose: Database on the private sector for analytical purposes; and to facilitate targeting, clustering for engagement and the implementation of relevant and targeted interventions.</p>				
Alignment to urban governance framework		Purpose	Timing	Tools
<p>UACA Draft Regulations, 2022, Regulation 19;</p>	<p>Urban boards are required to accredit and maintain a register of accredited business associations for clustering of business community within urban areas and cities to facilitate engagement and service delivery</p> <p>Urban Boards are required to map representative groups within the urban area or city, set up platforms for engagement and participation and empower residents through capacity building and outreach programmes</p>	<ol style="list-style-type: none"> 1. Urban area private sector database includes administrative location, address (geo-referenced), ownership, size, sector and industry, business activity - drawn from the county revenue department business licensing database 2. Used for analytical purposes and to cluster and convene private sector actors for engagement, planning and service delivery 	<p>Updated annually</p>	<p>GIS Software; data collection surveys, KNBS data – county statistics, economic surveys, industry statistics, business license register, land registry, KNCC, business & trade & professional associations. Partnerships with data analytic companies</p>
<p>Private sector diagnostics</p> <p>Purpose: Facilitates analysis of the local business environment, private sector needs, opportunities, and challenges and potential solutions to address bottlenecks (based on the four levers of competitive cities (World Bank, 2012</p>				
Alignment to urban governance framework		Purpose	Timing	Tools
<p>CGA, 2012, Section 104, 105 PFMA, 2012, Section 175</p>	<p>Urban boards are required to prepare an Integrated Plan, and every year prepare a strategic plan based on the IDEP consistent with the CFSP as basis for the urban budget estimates and give the</p>	<ol style="list-style-type: none"> 1. Informs the: <ul style="list-style-type: none"> - IDEP preparation and review, annual urban strategic plan and budget estimates 	<p>Every 3-5 years Reviewed and updated annually (through the PPD processes)</p>	

	<p>public the opportunity to participate as per CGA, 2012 Second Schedule</p> <p>As planning units, they are required to collect, store and update data and information suitable for the planning process</p>	<ul style="list-style-type: none"> - city/municipality spatial & land use plans, zoning plans - departmental strategic and implementation plans. <p>2. Informs the county CIDP preparation and review, county spatial plan, Sector Plans, ADP and CFSP (where sector priorities and ceiling are established), Urban (& other sector) Departmental Strategic Plans and Implementation Plans, county budget estimates, implementation, monitoring and reporting: quarterly budget implementation reports, CBROP, sector reports</p>		
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Public Private Dialogue Forum – Platform for Policy Dialogue and Prioritization of Intervention			
Purpose: Creates an institutional platform for virtuous, inclusive and structured dialogue to meet specific objective. Engagements focused on the four policy pillars; or sector/industry-based; or issue-based convened as required.			
Alignment to urban governance framework	Purpose	Timing	Tools
Urban Areas and Cities (Amendment) Act, 2019 21, 22, Second Schedule and the Regulations, 2022	<p>Urban boards are required to ensure the participation of residents in decision making and in its activities and programmes;</p> <p>To establish and institutionalize active participation of its residents in the management of the affairs of urban areas and cities</p> <p>To create citizen for a as platforms to seek and deliberate on county and national policy, legislation, plans and budgets</p> <p>Second schedule outlines rights and duties of residents of urban area in city and urban areas and requires urban areas development systems of governance, mechanisms, processes and procedure to encourage citizen participation urban residents</p>	<p>1. The PPD minutes and resolutions informs:</p> <ul style="list-style-type: none"> - urban planning and budgeting: - IDEP preparation and review, urban area annual strategic plan and budget estimates, - city/municipality spatial & land use plans, zoning plans - departmental strategic and implementation plans. - Urban area budget implementation reporting: quarterly budget implementation reports <p>2. Informs preparation and review of plans county:</p> <ul style="list-style-type: none"> - CIDP preparation and review, county spatial plan, ADP and CFSP (where sector priorities and ceiling are established), Urban (& other sector) Sector Plans, Departmental Strategic Plans and Implementation Plans, county budget estimates - County budget implementation monitoring and reporting: quarterly budget implementation reports, CBROP, sector reports 	<p>Quarterly</p> <p>Issue based convened when required</p>

Key:

ADP - Annual Development Plan

CBROP - County Budget Review and Outlook Paper

PS - Private sector

PSD – Private Sector Development

Annex 03: List of fields already in the SBP application form and additional fields suggested.

Field name	Capture in the SBP application	Data types
Name of business	Yes	
Business no (issued during licensing)	Yes	
Certificate of registration no	Yes	
Business ownership structure: sole proprietor, partnership, limited liability, other legal entity	No	Select from drop down list of different entity types: business name; private limited company; limited; company limited by guarantee; limited partnership; foreign company; trust; other legal entity
Gender of proprietor/majority shareholder	Yes	
Certificate of registration no	Yes	
Year of registration/incorporation	No	
Years in operation	No	Range of year: < 1 yr; 2 – 3 yrs; 4 - 5 yrs; 6 – 10 yrs; over 10 yrs
Business Permit no	Yes	
Date of permit issue	Yes	
Industry/sector (code)	No	Drop down list based on the KeSIC codes
Business activity (code)	No	Drop down list based on the KeSIC codes
Business activity description (code)	No	
Mailing Address: PO Box, Postal Code	Yes	
Phone number	Yes	
Email address	Yes	Optional
Physical address	Yes	
Plot no	Yes	Optional
County	Yes	Drop down list
City/Municipality	No	Drop down list
Sub county	Yes	Drop down list
Ward	Yes	Drop down list
Geo-location (GIS coordinates)	No	
Land zone (if any/if known)	No	Drop down list

No of employees	Yes	Drop down with options: Single individual/sole proprietor/trader; Less than 10 (micro); 10 – 49 (small); 50 – 250(medium) Over 250 large
Total size of premises (m²)	No	
Property/land use data (ownership)	No	
Financial data (gross annual turnover for last year) - KES range	No	<500,000 (micro); 500,001 – 5 million (small); 5,000,001 – 100,000,000 (medium)
Business affiliation i.e., membership in trade/business/professional associations or cooperative	No	
Other licenses and permits for specific business activities	No	

Annex 04: Suggested calendar for two annual forums aligned to the urban board planning and budgeting calendar

PPDF sessions	Agenda items	Statutory requirements and timelines
PPDF PLENARY ONE Held by end of July	Input into preparation of Urban Integrated Development Plan (IDEP) during the first year of the board's election	Urban Board prepares and adopts an IDEP within the 1 st year of its election, which can be reviewed and amended during the board's term. It remains in force until the new plan is adopted by the succeeding committee UACA (Amendment) Act, 2019 Section 39
	Input to the annual review of IDEP	
	Review of the past FY PPDF action plan and urban board implementation report	
	Input into the urban board/urban departmental annual work plan	
PPDF PLENARY TWO Held by end of February	Mid-year review of the PPDF action plan and urban board implementation report	
	Input into city or municipality annual strategic plan	Prepared as basis for the annual budget - revenue and expenditure estimates (UACA (Amendment) Act, 2019, Section 36(1)(d)(iv) PFMA, 2012, Section 175
	Input into the urban board annual budget (revenue and expenditure) estimates	UACA (Amendment) Act, 2019, Section 20(1)(l): Prepared and submitted to the county treasury for consideration & submission to the CA for approval as part of the county appropriations bill UACA (Amendment) Act, 2019, Section 45(1): Prepared at least 3 months prior to start of FY PFMA, 2012, Section 175
AD-HOC FORUMS AS REQUIRED	Urban area spatial plans; regulatory instruments, development control, urban policy development and review	

Annex 05: Sample results framework

Annex 05: Sample Results Framework

Goal: To secure, well-governed, competitive, and sustainable urban areas and cities that contribute to the realization of the broader national development goals articulated in the Constitution of Kenya (2010) and Vision 2030.

Outcome: Competitive urban area, which attracts and retains private sector investment and growth.

	Indicator	Definition	Baseline	Target	Data Source	Frequency	Responsible	Reporting
Result/ Output 1	Organizing the private sector for effective engagement.							
Activity 1.1	Number of private sector actors identified	Count of private entities mapped and profiled	0	150 businesses mapped	Stakeholder database, field survey reports and Private Sector database.	Quarterly	Municipal Economic Officer	Private Sector Engagement Reports and Minutes.
Activity 1.2	Establishment of a private sector stakeholder registry and coordination platform.							
	Stakeholder registry developed and operational	A digital or manual list of private sector players regularly updated	No existing registry	1 registry platform launched	Municipal ICT / revenue System	Semi-annually	Municipal ICT / Revenue Unit	ICT and Private Sector stakeholder Registry Progress Reports.
Result/ Output 2	Private sector diagnostic conducted to inform urban policy and planning.							

Activity 2.1	Conduct surveys and interviews with local businesses to identify barriers and opportunities.							
	Survey participation rate	Percentage of targeted businesses that completed diagnostic surveys	0%	80% response rate from target sample	Survey forms, interview notes	Annually	Budget and Economic Planning Department	Survey Completion Report
Activity 2.2	Compile a diagnostic report with policy recommendations.							
	Diagnostic report completed and validated.	A written report summarizing findings and policy advice.	No previous report.	1 report validated and published.	Compiled analysis from Activity 2.1.	Annually	Urban Planner and Economic Advisor.	Municipal Policy Brief and Private Sector Diagnostic Report.
Result/ Output 3	Public-private dialogue forums established.							
Activity 3.1	Organize bi-annual Municipal Business Roundtables.							

	Number of roundtables held.	Formal meetings between private sector and municipality.	0	2 per year	Meeting minutes, attendance records	Bi-Annually	Municipal Board Secretariat.	Dialogue Forum Reports.
Activity 3.2	Establish thematic working groups (e.g., Environment, Enforcement, Revenue, Development Control and Administration).							
	Number of active working groups.	Sector-specific forums discussing challenges and proposals.	0	5 working groups formed.	Working group records.	Quarterly.	Municipal Sector Heads.	Sector Working Group Reports.
Activity 4	Capacity building, outreach, communication and feedback channels established.							
Activity 4.1	Train municipal staff and SMEs on PPP engagement, licensing, and policy interpretation.							
	Number of staff and SMEs trained.	Headcount of beneficiaries from training programs.	0	150 participants trained.	Training reports, attendance lists.	Quarterly	Municipal Administrator.	Capacity Building Report.
Activity 4.2	Launch municipal communication portal and hotline for private sector queries.							

	Portal and hotline usage metrics.	Number of queries received and resolved through new platforms.	No active channel.	1 portal & hotline fully operational.	ICT usage logs.	Monthly	Municipal ICT Officer.	ICT Monthly Monitoring Reports
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