



REPUBLIC OF KENYA
OFFICE OF THE DEPUTY PRESIDENT
State Department for Devolution



PROJECT NAME : **SECOND KENYA DEVOLUTION SUPPORT PROGRAM**
(KDS P II)
Credit No : **IDA-7447-KE**
Project ID No : **P180935**

TERMS OF REFERENCE (TOR)

FOR

FOUR INDIVIDUAL CONSULTANTS TO CONDUCT INDEPENDENT VERIFICATION OF PARTICIPATING COUNTY GOVERNMENTS' ACHIEVEMENT OF MINIMUM PERFORMANCE CONDITIONS AND DISBURSEMENT LINKED INDICATORS UNDER KEY RESULT AREA 2 – INSTITUTIONAL PERFORMANCE AND HUMAN RESOURCE MANAGEMENT FOR THE FY 2024/25

REFERENCE NUMBER : **KE-DD-535642-C-INDV**

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A. Background

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

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

- **KRA 1: Sustainable Financing and Expenditure Management.** This KRA supports efforts towards enhancing financing, and expenditure management by counties. In this KRA, the national-level activities, supported through investment project financing (IPF) entail the development of frameworks and guidelines for county revenue mobilization, policy to support financing for service delivery units, and structures and tools to support counties' institutionalization of shared project management functions. The expected outcomes will include an improved revenue mobilization agenda (for example, increased revenue collection, enhanced accuracy of fiscal forecasting, and expansion of revenue base), timely communication on releases of conditional grants, automation of the county exchequer requests, and implementation of pending bills action plans. The relevant disbursement linked indicators (DLIs) under this KRA are on (i) the average number of days it takes for the National Treasury, Office of the Controller of Budget, and the Central Bank of Kenya to process a county exchequer requisition once submitted; (ii) participating counties that have increased their own source revenue by at least 5 percent annually, over and above the rate of inflation; and (iii) participating counties that have prepared and are implementing action plans to reduce their stock of pending bills and maintain it at minimal levels.
- **KRA 2: Intergovernmental Coordination, Institutional Performance, and Human Resource Management.** This KRA supports national and county government initiatives towards strengthening intergovernmental coordination, institutional performance, and Human Resource Management (HRM). The national-level activities, financed through the IPF, will support the development of policy and administrative procedures for the operationalization of intergovernmental, intercity, and inter-municipality forums. The IPF will also support the development of guidelines, including county HR and skills audits, model organization structures for customization by counties, and performance management. DLIs under this KRA will target counties implementing recommendations of HR, skills, and payroll audits, aligning county staffing with departmental functions in select sectors, and improving the credibility of the payroll. The relevant DLIs under this KRA are on (i) participating counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the human resource management information system; and (ii) participating counties that are enhancing accountability for results through an integrated performance management framework.
- **KRA 3: Oversight, Participation, and Accountability.** KRA 3 will support improvements in oversight, participation, and accountability. The IPF component will

support the development of guidelines on project stocktaking, community-led project management committees, and climate change risk screening and preparedness (including assessment of the climate resilience of existing infrastructure assets). It will also support the rollout of the county (public Investment Management (PIM) framework. The expected outcomes include the establishment of project management committees, county compliance with the PIM framework, and developing and operationalizing a county investment dashboard with a citizen feedback interface (which is used to improve public investments). Additionally, it is expected that county assemblies will establish a fiscal bureau to strengthen the role of the legislatures in budget scrutiny and oversight. The relevant DLI under this KRA is on Participating counties that have established public investment management dashboards with citizen feedback mechanisms.

B. KDSP II GRANT MECHANISMS

The DLIs under KDSP II are linked to two types of conditional grants:

The DLIs under KDSP II are linked to two types of conditional grants: the **Institutional Support Grant (ISG) also referred to as level I grants;** and the **Governance and Service Delivery Grant (GSDG) also referred to as level II grants.** The objective of the ISG is to support county governments in the implementation of key reform steps that will facilitate the achievement of disbursement-linked results. This includes the implementation of policies and legislation, strengthening governance systems, and technical assistance, institutional strengthening, and capacity building. The ISG will also support program coordination and program-related technical consultations. The objective of the GSDG is to provide county governments with fiscal space and incentives to finance investments to support service delivery).

The incentives for participating County governments are provided through **Minimum Conditions (MCs), achievement of Disbursement-linked Indicators** and **Performance Measures (PMs),** which are sets of indicators that can be scored and reflect the achievement of results and, consequently, the Program objectives.

This assignment entails the consultants assessing performance of counties on the following disbursement-linked indicator:

- (i) **DLI 5:** Participating counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the HRIS-ke;
- (ii) **DLI 6:** Participating counties that are enhancing accountability for results through an integrated performance management framework,

The above DLIs need to be achieved as part of the requirements to achieve level 2 grants/GSDGs to be disbursed in the financial year 2025/2026. The minimum performance conditions, the achievement of DLI, and performance measures for this KRA2 DLI 5 and 6 are specified in Annex 1 of these terms of reference, i.e, Verification Protocols.

Program for Annual Performance Assessment	
1. Performance period being assessed/year under assessment.	July 2024-Jun 2025

2. Verification	July 2024-Jun 2025
3. Verification report submitted by the consultant to the National Program Coordination Unit (NPCU)	March/April
4. Publish results of IVA by SDD on their website	April/May 2026
5. Verification report submitted to the World Bank	May 2026

The DLI Verification Protocol:

As detailed in the Program Operations Manual (POM), and annex 1 of these ToRs, the verification protocols for KRA 2 that include, DLI 5 and DLI 6 comprises of:

- i) The detailed definition/description of the KRA 2 (DLI 5 and DLI 6) , including definitions of key terms.
- ii) The data source to be used by the IVA to assess the achievement of KRA 2, (DLI 5 and DLI 6) conditions.
- iii) The procedure that the IVA consultants will use to assess whether the county has achieved DLI and met the performance measures.

In interpreting the Verification Protocols, it is important to note the following:

- i) The detailed definition/description of KRA 2 (DLI 5 and DLI 6) in the verification protocols is meant to be limited in terms of what a law contains or how a system should function; it describes the minimum content/ expected to achieve KRA 2 (DLI 5 and DLI 6).
- ii) This protocol does not exhaustively record the IVA's data source and data requirements. In consultation with the NPCU and World Bank, the consultants may request any additional data sources that may be required for confirmation of achievement of results.
- iii) This protocol does not exhaustively record the procedures the consultants will use to assess counties' achievement of the KRA 2 (DLI 5 and DLI 6). In consultation with the NPCU and technical review by the Bank, the consultants may undertake additional procedures or amend the procedures to confirm the achievement of results.
- iv) These adjustments/changes implied in II and III above must be done and communicated to the counties before the commencement of the assessment.

The Program intends to apply part of the proceeds of the Credit to procure the services of four individual consultants to independently verify results on KRA 2, DLI 5: Participating Counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the HRIS-KE, and DLI 6: Participating Counties that are enhancing accountability for results through an integrated performance management framework.

C. The Overall Objective

The overall objective of the assignment is to independently verify the achievement of conditions under KRA 2,-DLI 5, and DLI 6 using the verification protocols outlined in Annex 1 of this ToR. The consultants are expected to undertake the exercise **between February and May 2026.**

D. Duration of the Assignment

The estimated expert time input for this assignment is 50 days.

The assessment of the consultants' performance will depend on factors including, but not limited to, meeting the timelines specified in the contract, submission of accurate assessment and meeting the contractual obligations stipulated in the signed contract. The assessment process is expected to be non-discriminatory, transparent, reliable, and feasible against which the consultants' performance will be measured.

E. Scope of Work of the Independent Verification Agent

The SDD through the National Program Coordinating Unit (NPCU) will engage four consultants, who will report to the KDSP II NPCU Coordinator on a day-to-day basis. The scope of the consultancy will cover all 47 counties and will entail reviewing, evaluating and documenting an assessment report on the following key indicators under key result area 2 on DLIs 5 and 6.

KRA 2 DLI 5 scope:

- i) Existence of approved organizational structures and authorized staff establishments for all county functional areas, and verify that they are uploaded in HRIS-Ke.
- ii) Availability of County reports and Action plans for the implementation of the OAG Special payroll audits, HR audit, and Organizational review recommendations.
- iii) Availability of County reports on implementation of recommendations from SRC M&E reports.
- iv) Consistency between HR records, approved staff establishments, and payroll data in HRIS-Ke.
- v) HRIS-Ke payroll costs against IFMIS monthly payroll payment reports.
- vi) Availability and accuracy of monthly reconciliation reports between payroll data and HR records.
- vii) That advisors and casuals have been assigned UPN numbers
- viii) Migration status of advisors and casuals into HRIS-Ke

KRA 2 DLI 6 scope:

Verify that:

- The County has Vetted and Signed Performance Contracts between Governor and CECMs (County Departments/Equivalent), CECMs/Equivalent and Chief Officers, and Chief Officer and Heads of Department.
- Performance contracts targets exist, showing evidence that they are drawn from the CIDP, ADP, and other relevant policy documents.
- Staff performance appraisal forms, signed between staff and their supervisors exist.
- Staff performance targets showing evidence that they are drawn from the supervisors targets and the annual work plan exist.
- Evidence exists for Vetted and Signed contracts for 1st Level PC, 2nd Level PC, and 3rd Level PC as defined in the verification protocols

Where the scope of work described above is inconsistent with the verification protocols, the verification protocols take precedence.

F. Verification Schedule:

Activities	Timelines
<ul style="list-style-type: none"> ▪ Preparatory activities including agreement with consultants ▪ Entry Meeting ▪ Meeting to discuss inception report including data collection and reporting tools 	March 2026
<ul style="list-style-type: none"> ▪ Assessment exercise, ▪ Discussion on the preliminary report. 	March/April, 2026
Appeals & resolutions	April/May 2026
Synthesis of the counties reports to produce the draft consolidated Report	April/May 2026
Revision of report and submission of the final report	May 2026

G. Deliverables

- 1. An inception report: outlining** the consultants' understanding of the assignment, the purpose and scope of the assessment as set out in the Terms of Reference, the methodology, and timelines.
- 2. County Assessment Reports:** For each county assessed, the report will contain the following information.
 - i) Description of the work done by the consultant for KRA 2, (DLI 5 and DLI 6).
 - ii) An assessment for the minimum conditions, achievement of the DLIs, and performance measures for KRA2, DLI 5 and DLI 6.
 - iii) Documentary evidence supporting the verification results, provided both as hyperlinks and as clearly labeled copies saved in a separate electronic folder, organized by county
- 3. Consolidated Verification Report for KRA 2 :** This will be a compilation report containing the Verification Reports, and the consolidated documentary evidence. The report will be considered final once approved by the World Bank.

In addition to these reports, the consultants will retain documentary evidence to confirm that all the checks in the verification protocols have been carried out.

H. Required Qualifications and Experience

Educational Requirements	Experience required
<ul style="list-style-type: none"> ▪ A minimum of a master's degree in human resource management, 	<ul style="list-style-type: none"> ▪ A minimum of 10 years of work experience out of which 5 years are related with HRM; Payroll administration;

Educational Requirements	Experience required
<p>organizational development, or organizational psychology or any other related discipline from a recognized university.</p> <ul style="list-style-type: none"> ▪ Additional training in audit, compliance, or payroll systems is an added advantage. ▪ Basic IT qualifications 	<p>Performance Management; and/or Organizational Development.</p> <ul style="list-style-type: none"> ▪ Experience working with/on public sector human resource and performance management ▪ Experience in analyzing and verifying audit reports, action plans, and compliance documentation. ▪ Experience working with/on HR databases for example, Human Resource Information System (HRIS).

I. Responsibilities of the client

The Client will avail all relevant documents to the consultants and will facilitate coordination with the counties. Documents to be provided by the client will include:

- i. Program Appraisal Document (PAD)
- ii. Program Operation Manual (POM)
- iii. Any other material considered relevant during the procurement process.
- iv. To provide quality control during implementation

J. Responsibilities of the Consultant

The Consultants shall be responsible for the provision of all the necessary resources to carry out the services such as project transportation for visits in counties, subsistence allowances, accommodation, information technology, means for communications, reporting materials, insurance and any other required.

In collaboration with the client and the World Bank, the consultants will design reporting templates and criteria for data collection. These will be validated by the World Bank and the client ahead of their use by the consultants.

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

K. Payment schedule

The estimated time input for this assignment per consultant is 50 days. The proposed payment schedules are based on satisfactory performance which will be negotiated with the successful consultants as presented in the following table.

\$/No.	Deliverables	Percentage of the contract amount
1.	An inception report: outlining the consultants' understanding of the assignment, the purpose and scope of the assessment as set out in the Terms of Reference, the methodology, and timelines.	10%
2.	<p>I. Online assessment tool completed with the data collected for each county</p> <p>II. Draft Verification report for each County (with compendium of documentary evidence and quantitative data), The report will contain the following information.</p> <p>(a) An assessment for the minimum performance conditions, performance measures, and achievement of DLIs for KRA 2, (DLI 5 and DLI 6). .</p> <p>(b) Documentary evidence supporting the verification results, provided both as hyperlinks and as clearly labeled copies saved in a separate electronic folder, organized by county</p>	40%
3.	Consolidated Verification Report: This will be a compilation report containing the Verification Reports, and the consolidated documentary evidence. The report will be considered final once approved by the World Bank.	50%

L. Management and accountability of the assignment

SDD is the client for consulting services. In terms of performance and deliverables, the consultants will carry out the assignment under the direction of, and report to the Program Coordinator in the NPCU. The consultants shall work closely with NPCU to ensure timely delivery of the outputs.

M. Code of Ethics for the Consultants

A code of conduct/ethics for the consultants will be signed prior to undertaking the assignment. The content of code of ethics will mainly focus on adhering to the procedures, integrity, and anti-corruption issues.

(i) Collection and Collation of Documentary Evidence

The Consultant will collect and submit to the SDD all documentary evidence to substantiate the APA results in a format to be agreed with the NPCU and the World Bank task team.

N. Confidentiality and Data Ownership

The consultants shall adhere to the World Bank Data Privacy and Protection regulations and all the relevant confidentiality and data ownership laws and regulations of Kenya throughout the consultancy period and will protect the confidentiality of participating counties at all stages. All data is confidential and is the property of the State Department for Devolution. No data or other information from this consulting services contract will be released to third parties without the written prior approval of SDD. The consultants will provide all reports and deliverables in English. All documents are proprietary to and shall be collected and stored at the SDD for future reference. The consultants may not distribute any data collected under the APA process to any entity without express written prior approval from the Client.

O. Quality Assurance:

The World Bank will retain the right to make the final decision on whether a DLI has been achieved or not. The verification report will be subjected to a **Quality Assurance Review by the World Bank** which will sample counties to assess the veracity of the results. If the verification results are different from the World Bank Quality Assurance results, the latter will prevail. However, in cases where the consultants' results are materially different from the quality assurance results, the consultants will repeat the assignment at their own cost. The Final APA results subjected to the quality assurance review will be further endorsed by the KDSP II National Project Steering Committee. Based on the final APA results, Government of Kenya (GoK) through SDD will send a Results Achievement Notification summarizing how the DLIs has been met.

Annex 1: Verification Protocol; for KRA 2, DLI 5 & 6

IMPORTANT NOTES

1. All Participating Counties are eligible for assessment
2. A county must meet all the minimum performance conditions to access the performance grant.
3. To access the Service Delivery Investment Grant (Level 2), a county must have achieved the Level 1 grant
- 4.
5. Achieving the DLI alone gives access to 50% of the resources in line with the CRA formula (Allocation for a county based on DLI measure $50\% \times \text{DLI allocation} \times \text{No. of Qualifying Counties} \times \text{CRA Formula}$)
6. The other 50% depends on the performance Score against the performance measures (Allocation based on performance Measure = $50\% \times \text{DLI Allocation} \times \text{Score}$)

Annex 1.1 : Verification protocol; for KRA 2 DLI 5

KRA2 DLI 5	Formula, Target, and Description	Minimum Conditions	Indicator and Scoring ¹	Assessment Procedure
DLI 5: Participating Counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payroll; in the HRIS-KE (Number)	<p>Formula: For each year, $US\\$650,000 \times \text{No. of participating counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the HRIS-KE}$</p> <p>Target: End of Program target is that 25 counties would have achieved this.</p>	Counties have developed implementation plans for HR and payroll audits, and organizational review recommendations; and have approved staff establishments (Y/N)	<p>APA 3 : DLI measure</p> <ul style="list-style-type: none"> • Payroll data in HRIS-Ke is consistent with HR records and authorized Staff establishments (Y/N) <p>Performance Measures</p> <ul style="list-style-type: none"> • CG has uploaded the approved authorized staff establishment in the HRIS-Ke. (score: 20) • All staff, including advisers and casuals, are assigned unified payroll numbers, and their payroll processed through 	<p>APA 3 will review and confirm the following: Evidence for the MC</p> <ul style="list-style-type: none"> • Approved organizational structure and authorized staff establishment for all county functional areas • HR audit Report and the action plans for implementing its recommendations • OAG special payroll audit report (2025) and the action plans for implementing its recommendations • Action plan for implementing Organizational review recommendations <p>Evidence for DLI achievement</p> <ul style="list-style-type: none"> • Consistency across HR records, approved staff establishment,

¹ For each DLI (DLIs 3–7), 50 percent of the envelope will be divided among counties that met that respective DLI result using the CRA formula (that is, the equitable shares). The other 50 percent is allocated based on the scores against the performance measures pertaining to each respective DLI result area, weighted with the CRA formula.

KRA2 DLI 5	Formula, Target, and Description	Minimum Conditions	Indicator and Scoring¹	Assessment Procedure
	<p>Description: No. of participating counties that have integrated their HR records, authorized staff establishment and payroll, and uploaded cleaned payrolls in the HRIS-KE.</p>		<p>HRIS-ke with no manual payment of salaries. (score: 30)</p> <ul style="list-style-type: none"> CG is reconciling payroll data and HR records at least on a monthly basis (score: 40) County has an action plan for implementing recommendations from the SRC M&E reports (score 10) <p>In addition to areas assessed under APA 3, be (Total Score for DLI 5 = 100)</p>	<p>and payroll data in the HRIS-Ke²</p> <ul style="list-style-type: none"> County reports on the implementation of recommendations of the OAG Special payroll audits County reports on the implementation status of the recommendations of the HR audit <p>Evidence for Performance Measures:</p> <ul style="list-style-type: none"> Approved organizational structure and authorized staff establishment for all county functional areas uploaded in HRIS-Ke Summary report of advisers and casuals assigned UPN numbers against the total number in the county Summary report on migration of advisors and casuals to HRIS-KE Total payroll cost in HRIS-Ke is consistent with the IFMIS monthly payroll payment report HRIS-Ke system generated HR and payroll report HRIS-Ke walk through and system reports Monthly Reports on reconciliation of payroll data and HR records. County reports on implementation of recommendations made in SRC M&E reports

² **HR Records:** Information relating to each person in an organization. It captures recruitment procedure, personal profile information (gender, ethnicity), job group, how staff are distributed, actual place of deployment, qualifications, terms of engagement, competencies, payroll data, remuneration, training, promotions, re-designation. *HR Records:* is information relating to each person in an organization. It captures recruitment procedure, personal profile information (gender, ethnicity), job group, how staff are distributed, actual place of deployment, qualifications, terms of engagement, competencies, payroll data, remuneration, training, promotions, re-designation.

Authorized staff establishment: Optimal staffing level approved by the County Public Service Board against the approved functional organizational structure.

Payroll: Refers to records of how officers in the public service in different job groups are paid. Payroll data to be reviewed will be for the second quarter of FY 2025/26

Annex 1.2 : Verification protocol; KRA 2 DLI 6

KRA 2 DLI 6	Formula, Target, and Description	Minimum Condition	Indicator and Scoring³	Assessment Procedure
<p>DLI 6: Participating counties that are enhancing accountability for results through an integrated performance management framework (Number)</p>	<p>Formula: For each year, US\$300,000 X No. of participating counties that have adopted and are implementing an integrated performance management framework.</p> <p>Target: End of Program target is that 25 counties would have achieved this.</p> <p>Description: This DLI will be met if participating counties have adopted and are implementing an integrated performance management framework.</p>	<p>n.a.</p>	<p>APA 3: DLI Measures:</p> <ul style="list-style-type: none"> Vetted and signed Performance contracts (PCs) target's part a) in the 3 levels⁴ of PCs are aligned with priorities in the CIDP, Annual Development Plan, and other relevant policy documents (Y/N) Staff performance appraisal forms signed between staff and their supervisors (Y/N). <p>Performance Measures</p> <p>1st Level PC</p> <ul style="list-style-type: none"> a) CECM, Parent Department and Chairperson & Independent Board Member (County Corporation/Board) (Score 20) b) CECM, Parent Department and Chairperson & BoM Independent 	<p>APA 3 will review and confirm the following:</p> <p>Evidence for DLI achievement</p> <ul style="list-style-type: none"> Vetted and Signed Performance Contracts between <ul style="list-style-type: none"> a. Governor and CECMs (County Departments/Equivalent). b. CECMs/Equivalent and Chief Officers. c. Chief Officer and Heads of Department. Performance contracts targets showing evidence that they are drawn from the CIDP, ADP, and other relevant policy documents. Staff performance appraisal forms signed between staff and their supervisors. Report on the signing of Staff Performance Appraisals with supervisors Staff performance targets show evidence that they are drawn from the supervisor's targets and the annual work plan. <p>Evidence for Performance Measures:</p> <p>Vetted and Signed contracts for 1st Level PC</p> <ul style="list-style-type: none"> Governor and CECMs (County Departments/Equivalent). CECM, Parent Department and Chairperson & Independent

³ For each DLI (DLIs 3–7), 50 percent of the envelope will be divided among counties that met that respective DLI result using the CRA formula (that is, the equitable shares). The other 50 percent is allocated based on the scores against the performance measures pertaining to each respective DLI result area, weighted with the CRA formula.

⁴ See assessment procedure

KRA 2 DLI 6	Formula, Target, and Description	Minimum Condition	Indicator and Scoring³	Assessment Procedure
			<p>Board Member. (Score 20)</p> <p>2nd Level PC</p> <p>a) Chairperson to the Corporation/Board and Chief Executive Officer/Manager. (Score 20)</p> <p>b) Chairperson BoM and Principal/Manager. (Score 20)</p> <p>3rd Level PC</p> <p>a) Chief Executive Officer/Manager and Heads of Department. (Score 10)</p> <ul style="list-style-type: none"> Principal/Manager and Heads of Department. (Score 10) <p>(Total score for DLI 6 = 100)</p>	<p>Board Member (County Corporation/Board).</p> <ul style="list-style-type: none"> CECM, Parent Department and Chairperson & BoM Independent Board Member. <p>2nd Level PC</p> <ul style="list-style-type: none"> CECMs/Equivalent and Chief Officers. Chairperson to the Corporation/Board and Chief Executive Officer/Manager. Chairperson BoM and Principal/Manager. <p>3rd Level PC</p> <ul style="list-style-type: none"> Chief Officer and Heads of Department. Chief Executive Officer/Manager and Heads of Department. Principal/Manager and Heads of Department.