SECRET

REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

County Allocation of Revenue Bill, 2025

	PAPERS LAID
DATE	13/2/2025
TABLED BY	Majority Whip
COMMITTEE	
CLERK AT THE TABLE	Mbaya

A legislative proposal for submission to Parliament

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COUNTY ALLOCATION OF REVENUE BILL, 2025

ARRANGEMENT OF CLAUSES

Clause

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2— Interpretation.

3— Object and purpose of the Bill.

4— Equitable allocation of County Governments' share of revenue.

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SCHEDULE

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial Year 2025/26.

APPENDIX

Explanatory Memorandum to The County Allocation of Revenue Bill, 2025

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue among the County Governments from revenue raised by the National Government in the financial year 2025/26; the responsibilities of National and County Governments with respect to such allocation; and for connected purposes.

ENACTED by Parliament of Kenya, as follows—

Short title.	**1.** This Act may be cited as the County Allocation of Revenue Act, 2025.
Interpretation. No. 16 of 2011.	**2.** In this Act, unless the context otherwise requires— "Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to finance; "revenue" has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act, 2011.
Object and purpose of the Act.	**3.** The object and purpose of this Act is to— (a) provide, pursuant to Article 218(1)(b) of the Constitution, for the allocation of an equitable share of revenue raised nationally among the County Governments for the financial year 2025/26, in accordance with the resolution approved by Parliament under Article 217 of the Constitution; and (b) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.
Equitable allocation of County Governments' share of revenue.	**4.** (1) Each County Governments' equitable share of revenue raised nationally, on the basis of the revenue sharing formula approved by Parliament in respect of the financial year 2025/26 in accordance with Article 217 of the Constitution, shall be as set out in Column F of the Schedule.
No. 18 of 2012.	(2) Each County Governments' allocation under subsection (1) shall be transferred to the respective County Revenue Fund, in accordance with a payment schedule approved by the Senate and published in the Gazette by the Cabinet Secretary in accordance with Section 17 of the Public Finance Management Act, 2012.

Report on actual transfers.	**5.** The Cabinet Secretary shall publish a monthly report on actual transfers of all allocations to county governments.
Books of accounts to reflect National Government transfers.	**6.** (1) Each county treasury shall reflect all transfers by the National Government to the County Governments in its books of accounts.
	(2) The estimates of revenue of each county shall separately reflect the total equitable revenue share from the National Government transferred to the County Revenue Fund, under section 4 of this Act.
No. 18 of 2012	(3) A county treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act, 2012 report on actual transfers received by the County Government from the National Government, up to the end of that quarter or financial year in the format prescribed by the Public Sector Accounting Standards Board or in the absence of a format prescribed by the Board, in the format prescribed by the National Treasury.
Financial Misconduct.	**7.** Despite the provisions of any other law, any serious or persistent non-compliance with provisions of this Act constitutes an offence under the Public Finance Management Act, 2012.
Clarification of revenue sharing formula to apply	**8.** The allocation of the equitable share of revenue to the County Governments under Section 4 of this Act shall be in accordance with the third determination of the basis of the division of revenue among counties approved by Parliament pursuant to Article 217 (7) of the Constitution.

SCHEDULE (s. 4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in the Financial Year 2025/26

S/No.	County	FY 2024/2025	FY 2025/2026				
		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****
			Allocation Ratio	Equitable Share	Allocation Ratio	Equitable Share	
		column A	column B	column C	column D	column E	column F = C+E
1	Baringo	6,683,872,230	1.61	2,547,825,000	1.80	4,454,485,782	7,002,310,782
2	Bomet	7,015,120,960	1.74	2,753,550,000	1.86	4,589,673,714	7,343,223,714
3	Bungoma	11,170,672,761	2.81	4,446,825,000	2.93	7,241,523,752	11,688,348,752
4	Busia	7,514,936,175	1.9	3,006,750,000	1.97	4,855,276,089	7,862,026,089
5	Elgeyo Marakwet	4,826,732,154	1.22	1,930,650,000	1.26	3,119,054,514	5,049,704,514
6	Embu	5,369,897,179	1.36	2,152,200,000	1.40	3,465,431,012	5,617,631,012
7	Garissa	8,290,447,207	2.22	3,513,150,000	2.08	5,145,106,259	8,658,256,259
8	Homa bay	8,170,279,683	2.13	3,370,725,000	2.09	5,169,077,361	8,539,802,361
9	Isiolo	4,923,506,894	1.34	2,120,550,000	1.22	3,018,759,443	5,139,309,443
10	Kajiado	8,345,014,080	2.03	3,212,475,000	2.24	5,527,698,570	8,740,173,570
11	Kakamega	12,980,503,856	3.29	5,206,425,000	3.39	8,372,613,225	13,579,038,225
12	Kericho	6,738,465,912	1.7	2,690,250,000	1.77	4,359,892,241	7,050,142,241
13	Kiambu	12,293,695,472	2.98	4,715,850,000	3.31	8,161,271,630	12,877,121,630
14	Kilifi	12,169,843,603	3.3	5,222,250,000	3.03	7,482,496,017	12,704,746,017
15	Kirinyaga	5,449,273,298	1.34	2,120,550,000	1.45	3,585,005,147	5,705,555,147
16	Kisii	9,305,836,563	2.46	3,892,950,000	2.36	5,829,630,296	9,722,580,296
17	Kisumu	8,405,327,544	2.16	3,418,200,000	2.18	5,371,091,649	8,789,291,649
18	Kitui	10,885,967,728	2.79	4,415,175,000	2.82	6,968,985,751	11,384,160,751
19	Kwale	8,625,411,411	2.46	3,892,950,000	2.06	5,096,818,508	8,989,768,508
20	Laikipia	5,387,035,312	1.32	2,088,900,000	1.44	3,552,062,159	5,640,962,159
21	Lamu	3,254,430,925	0.82	1,297,650,000	0.85	2,107,435,512	3,405,085,512
22	Machakos	9,597,222,939	2.45	3,877,125,000	2.50	6,160,494,193	10,037,619,193
23	Makueni	8,497,308,449	2.34	3,703,050,000	2.09	5,163,373,364	8,866,423,364
24	Mandera	11,690,619,375	3.23	5,111,475,000	2.87	7,085,679,503	12,197,154,503
25	Marsabit	7,597,150,148	2.14	3,386,550,000	1.84	4,534,778,607	7,921,328,607
26	Meru	9,944,340,172	2.54	4,019,550,000	2.59	6,380,945,893	10,400,495,893
27	Migori	8,385,076,708	2.14	3,386,550,000	2.18	5,383,368,447	8,769,918,447
28	Mombasa	7,899,674,510	2.23	3,528,975,000	1.91	4,707,204,184	8,236,179,184
29	Murang'a	7,511,867,136	1.99	3,149,175,000	1.90	4,698,580,314	7,847,755,314
30	Nairobi	20,178,712,721	5.03	7,959,975,000	5.33	13,159,470,971	21,119,445,971
31	Nakuru	13,666,998,494	3.31	5,238,075,000	3.68	9,077,875,029	14,315,950,029
32	Nandi	7,346,070,242	1.69	2,674,425,000	2.04	5,031,320,039	7,705,745,039
33	Narok	9,241,861,510	2.54	4,019,550,000	2.28	5,624,382,672	9,643,932,672
34	Nyamira	5,359,988,239	1.52	2,405,400,000	1.29	3,182,065,043	5,587,465,043
35	Nyandarua	5,936,522,422	1.54	2,437,050,000	1.53	3,768,900,422	6,205,950,422
36	Nyeri	6,518,609,636	1.71	2,706,075,000	1.66	4,106,065,620	6,812,140,620
37	Samburu	5,623,229,594	1.46	2,310,450,000	1.45	3,567,833,920	5,878,283,920
38	Siaya	7,301,472,442	1.83	2,895,975,000	1.92	4,744,681,245	7,640,656,245
39	Taita Taveta	5,066,138,537	1.34	2,120,550,000	1.29	3,172,372,444	5,292,922,444
40	Tana River	6,824,718,335	1.85	2,927,625,000	1.70	4,197,134,580	7,124,759,580

S/No.	County	FY 2024/2025	FY 2025/2026				
		Total Equitable Share	0.5 (Allocation Ratio*)		(Equitable Share**-0.5 Allocation Ratio) *(Formula***)		Total Equitable Share****
			Allocation Ratio	Equitable Share	Allocation Ratio	Equitable Share	
		column A	column B	column C	column D	column E	column F = C+E
41	Tharaka Nithi	4,399,507,348	1.24	1,962,300,000	1.06	2,624,850,462	4,587,150,462
42	Trans Nzoia	7,540,501,498	1.82	2,880,150,000	2.03	5,019,156,778	7,899,306,778
43	Turkana	13,213,283,350	3.33	5,269,725,000	3.47	8,555,141,120	13,824,866,120
44	Uasin Gishu	8,472,399,603	2	3,165,000,000	2.32	5,716,021,786	8,881,021,786
45	Vihiga	5,292,922,428	1.47	2,326,275,000	1.29	3,195,052,681	5,521,327,681
46	Wajir	9,902,798,207	2.7	4,272,750,000	2.46	6,063,511,439	10,336,261,439
47	West Pokot	6,609,735,011	1.58	2,500,350,000	1.79	4,425,770,811	6,926,120,811
	TOTAL	387,425,000,000	100	158,250,000,000	100.00	246,819,420,197	405,069,420,197

* This is the KSh. 316.5 billion allocations as Equitable Share to counties in the financial year 2019/20. Thus, the allocation to County Governments under this component is one half of KSh. 316.5 billion, amounting to KSh. 158. 3 billion.

** This is the Equitable Share of revenue raised nationally allocated to County Governments in financial year 2025/26 amounting to KSh. 405.1 billion. Once you net out one half of the amount of Allocation Ratio or KSh. 158.3 billion from the Equitable Share of KSh. 405.1 billion, the resulting balance of KSh. 246.8 billion shall be allocated among County Governments using the Formula.

*** Formula= 0.18*Population Indexi+ 0.17*Health Indexi+0.10* Agriculture Indexi+0.05*Urban Indexi+0.14* Poverty Indexi+0.08*Land Area Indexi1+0.08*Roads Indexi +0.20* Basic Share Index.

**** Total Equitable Share to County Governments = 0.5 (Allocation Ratio) + ((Equitable Share-(0.5 Allocation Ratio)) *(Formula).

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MEMORANDUM OF OBJECTS AND REASONS

The principal object of this Bill is to make provision for the allocation of revenue raised nationally among the County Governments for the financial year 2025/26.

Clause 1 and 2 of the Bill provides for the short title and defines the various terms used in the Bill, respectively.

Clause 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised nationally among County Governments for the financial year 2025/26 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Clause 4 of the Bill provides for the allocation of equitable share of revenue raised nationally to each County Government.

Clause 5 of the Bill provides for the publishing of monthly report by the National Government, on actual transfers of all allocations to County Governments.

Clause 6 of the Bill provides for a county treasury to reflect the total allocations from the National Government separately in the books of accounts.

Clause 7 of the Bill defines what constitutes a financial misconduct.

Clause 8 of the Bill provides for use of the third determination of the basis of the allocation of revenue among counties as approved by Parliament pursuant to Article 217 (7) of the Constitution.

Dated the.., 2025

HON. FCPA JOHN NG'ONGO MBADI, EGH.

Cabinet Secretary for The National Treasury and Economic Planning

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APPENDIX

EXPLANATORY MEMORANDUM TO THE COUNTY ALLOCATION OF REVENUE BILL, 2025

Background

1. This memorandum is prepared as an attachment to the County Allocation of Revenue Bill (CARB), 2025 in fulfilment of the requirements of Article 218(2) of the Constitution and section 191 (5) of the Public Finance Management Act, 2012.

2. Article 218 (2) of the Constitution requires that the Bill be submitted to Parliament every year together with a memorandum explaining:

a) the proposed revenue allocation set out in the Bill;

b) the extent to which the Bill has taken into account the provisions of Article 203 (1) of the Constitution; and

c) a summary of any significant deviation from the recommendations of the Commission on Revenue Allocation (CRA), with an explanation for each such deviation.

3. Section 191 (5) of the Public Finance Management Act, 2012 requires that the Bill be accompanied by a memorandum which explains:

a) how the Bill takes into account the criteria listed in Article 203(1) of the Constitution;

b) the extent of the deviation from the Commission on Revenue Allocation's recommendations;

c) the extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council; and

d) any assumptions and formulae used in arriving at the respective shares mentioned in subsections 191 (2) and (3) of the Public Finance Management Act, 2012.

4. The memorandum is also prepared based on the approved third basis for revenue allocation among County Governments pursuant to Article 217 of the Constitution. In September 2020, Parliament approved the third basis for allocation of the share of national revenue among the County Governments.

Explanation of the Allocations to the County Governments as Proposed in the Bill

County Governments' Equitable Share

5. The Bill proposes to allocate County Governments KSh. 405.1 billion for the financial year 2025/26 as equitable share of revenue raised nationally, translating to an increase of KSh. 17.6 billion from a base of KSh.387.4 billion allocated in the financial year 2024/25.

6. In the financial year 2024/25, the Division of Revenue (Amendment) Act, 2024, allocated KSh. 387.4 billion to County Governments as equitable share resulting from mediation between the National Assembly and the Senate.

7. The National Treasury has proposed an allocation of KSh. 2,419.4 billion to the National Government; and KSh. 405.1 billion to County Governments in financial year 2025/26, translating to an increase of KSh. 17.6 billion (see Table 1).

Table 1: Equitable Revenue Share Allocation to County Governments, Financial Year 2025/26

BUDGET ITEM	Amount (KSh. million)
1. **Baseline** (i.e. allocation in the previous FY 2024/25)	**387,425**
Add:	
2. Adjustment for Revenue Growth	**17,644**
Equitable Revenue Share allocation for FY 2025/26 (1+2)	**405,069**

Source: National Treasury

8. The proposed County Governments' equitable revenue share allocation of KSh. 405.1 billion is informed by the following factors:

a) Trends in the performance of revenue (this was taken into consideration in determining the KSh. 17.6 billion increase in equitable share of revenue in financial year 2025/26);
b) Increased expenditures for National Government for purposes of debt servicing coupled with a weakened shilling against the dollar;
c) The Government commitment to implement a fiscal consolidation plan targeting to reduce the fiscal deficit to 4.3 percent of GDP in financial year 2025/26. This is designed to slow down accumulation of public debt, improve primary surplus thereby achieve fiscal sustainability;
d) Financing constraints due to limited access to finance in the domestic and international financial markets;
e) Low ordinary revenue collections attributed to the ongoing geopolitical shocks. The global economy is on a recovery path from the negative shocks in supply chain constraints and the rising US Federal Reserve interest rate that destabilized dollar exchange rate and the international debt market; and

f) The National Government continues to solely bear shortfalls in revenue in any given financial year whereas the County Governments continue to receive their full allocation despite the budget cuts affecting the National Government.

9. The above proposed Equitable Share for financial year 2025/26 of **KSh. 405.1 billion** is equivalent to **25.8 percent** of the last audited and approved actual revenues raised nationally of KSh.1,570,563 million for financial year 2020/21 pursuant to Article 203(3) of the Constitution.

10. **Fiscal Capacity and Efficiency of County Governments:** The National Treasury has proposed an increase of KSh. 17.6 billion equitable share to County Governments. Similarly, it is expected that the County Governments will also grow their Own Source Revenue (OSR). The National Treasury has further instituted measures to support County Governments enhance their revenue collection. These include the National Rating Act, 2024, the County Governments Revenue Raising Process Bill currently under consideration, the Model Tariffs and Pricing policy proposed for adoption by County Governments as well as the proposed Integrated County Revenue Management System. The National Treasury recommends that the Senate considers including the fiscal effort parameter in the Fourth-Generation basis so as to enhance OSR collection by the Counties in order to incentivize the attainment of the intended objectives of the above measures.

11. **County Governments' ability to perform the functions assigned to them and meet other developmental needs of the County Governments:** As explained above, the baseline for the equitable share allocation for the financial year 2025/26 was derived from the Division of Revenue Act, 2024. This base line is informed by costing of expenditure for devolved functions done at onset of devolution, which has been the basis for equitable share over the years.

12. **Developmental needs of the County Governments and their ability to perform the functions assigned to them:** County Governments are allocated equitable share of revenue which is an unconditional allocation to enable counties have autonomy to plan, budget and implement development projects based on county priorities and account for the same. In addition, Article 209 of the Constitution has assigned counties revenue raising powers and as such counties are expected to improve and maintain sustained collection of their own source revenues.

13. Additionally, the equitable share to County Governments is proposed to increase from a base of KSh. 387.4 billion in financial year 2024/25 to KSh. 405.1 billion in financial year 2025/26, an increase of KSh. 17.6 billion, which is meant to facilitate County Governments enhance service delivery in performance of their assigned functions under Part II of the Fourth Schedule of the Constitution.

14. It should be noted that, in order to achieve balance between priority development and performance of the assigned functions, the Third Basis for horizontal revenue sharing is premised on eight parameters which relate to devolved functions assigned to County Governments in Part II of the Fourth Schedule of the Constitution.

15. Thus, the proposed vertical division of revenue proposed in the Division of Revenue Bill, 2025, therefore, takes into account the cost of County Governments' developmental needs and it is expected that County Governments will have the ability to perform the functions assigned and transferred to them as contemplated under Article 203(1) (f).

16. **Economic Disparities within and among counties and the need to remedy them:** Allocation of the sharable revenue (i.e., equitable share of KSh. 405.1 billion) among County Governments is based on the Third-generation formula approved by Parliament in September 2020 pursuant to provisions of Article 217 and paragraph 16 of the Sixth Schedule of the Constitution. The Third Basis formula which is applicable from financial year 2020/21 to financial year 2025/26 has taken into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iv) Urban Index (5%); (v) Poverty Index (14%); (vi) Land Area Index (8%); (vii) Roads Index (8%), and; (viii) Basic Share index (20%). The horizontal distribution of County Governments' equitable revenue share allocation of KSh. 405.1 billion for financial year 2025/26 shall be based on the Third Basis Formula. Noting the equity and sectoral parameters outlined above, the Third basis formula applied in financial year 2025/26, takes into account disparities among counties and aims at equitable distribution of resources across counties.

17. Further, KSh. 10.6 billion has been set aside for the Equalization Fund in financial year 2025/26, which for purposes of Division of Revenue in financial year 2025/26 includes KSh. 7.9 billion as 0.5 per cent of the last audited and approved actual revenues for financial year 2020/21 (i.e., KSh. 1,570,563 million); and the balance of KSh. 2.7 billion which is the contribution of arrears towards the Fund. The Equalisation Fund is used to finance development programmes that aim at reducing regional disparities among beneficiary counties.

18. **Need for Economic Optimization of Each County:** Allocation of resources to County Governments was guided by the historical costing of expenditures for functions assigned to the County Governments. The equitable share of revenue allocated to County Governments in the financial year 2025/26 is KSh. 405.1 billion, an allocation which is KSh. 17.6 billion higher than the allocation of KSh. 387.4 billion for financial year 2024/25. This is an unconditional allocation which means that the County Governments can independently plan, budget and spend the funds. With the resources, therefore, County

Governments are able to prioritize projects and allocate resources, thus optimizing their potential for economic development.

19. **Stable and Predictable Allocations of County Governments' Vertical Share of Revenue:** The County Governments' equitable share of revenue raised nationally has been protected from reductions that may be occasioned by shortfall in revenue raised nationally more so in the advent of the effects of projected global economic downturn in 2025. According to Clause 5 of the Division of Revenue Bill (DoRB) 2025, the National Government will bear any shortfall in revenue raised nationally.

20. **Need for Flexibility in Responding to Emergencies and Other Temporary Needs:** The National Government equitable share of revenue has an allocation of KSh. 5 billion for the Contingencies Fund established pursuant to Article 208 of the Constitution. This Fund will be used to meet the demands arising from urgent and unforeseen needs in all Counties that suffer from calamities in the manner contemplated under Sections 19 - 21 of the Public Finance Management Act, 2012. In addition, the Public Finance Management Act, 2012 requires each County Government to set up a County Emergency Fund. County Governments are, therefore, expected to set aside budgets to respond to emergency functions.

21. It should be noted that after taking into account all the other factors contemplated under Article 203(1) of the Constitution, including the needs of County Governments, there are no resources left to finance other National Government needs, such as defense, roads, energy among others. In fact, the National Government is left with a deficit amounting to KSh. 64.6 billion to finance needs of other non-discretionary expenditures such as salaries of National Government staff. To bridge this financing gap, the National Government will require additional borrowing which may negatively impact on the fiscal consolidation plan.

Summary of Deviations from the Recommendations of the Commission on Revenue Allocations

22. The County Allocation of Revenue Bill (CARB), 2025 proposes to allocate county governments an equitable share of KSh. 405.1 billion from the shareable revenue raised nationally to be shared among county governments on the third basis formula for sharing revenue approved by Parliament under Article 217 of the Constitution. The CRA, on the other hand, recommends County Governments' equitable share of revenue of KSh. 417.4 billion as an unconditional allocation to be shared among county governments on the proposed fourth basis formula for sharing revenue submitted to Parliament for consideration and approval pursuant Article 217 of the Constitution.

23. The difference between the proposed allocation by the National Treasury and CRA is occasioned by:

(a) **Adjustment for Revenue Growth:** - While the National Treasury has proposed an increase of KSh. 17.6 billion to county governments' equitable share, the CRA has proposed an increase of KSh. 30.0 billion, in FY 2025/26, resulting into a difference of KSh.12.4 billion; and

(b) **Assumptions Used in Arriving at the Respective Shares:** - Both the National Treasury and the CRA have made varying assumptions in arriving at the respective proposals on County Equitable Share for FY 2025/26, as discussed in paragraph 29 for the National Treasury; and paragraph 30 for the CRA.

Table 3 analyses the approaches by CRA and the National Treasury in computing the proposal on the division of revenue between the national and county governments in FY 2025/26.

Table 3: Comparison of approaches towards recommendations of the Commission on Revenue Allocation and the National Treasury on the equitable share of revenue proposed for FY 2025/26

Expenditure Item	CRA	National Treasury	Variance
	A(million)	B(million)	C=(A-B(million))
1. Equitable Revenue Share in FY 2024/25	387,425	387,425	387,425
Add:			
2. Increase in Revenue Allocation	30,000	17,644	12,366
TOTAL EQUITABLE OF REVENUE = (2+3)	417,425	405,069	12,366

Source: The National Treasury

Assumptions Used in Arriving at the Respective Shares

24. In arriving at the allocation of KSh. 405.1 billion, the National Treasury was informed by the following economic assumptions:

(i) The Equalization Fund arrears to be financed from the National Government's share of revenue;

(ii) That there will be no major economic shocks negatively affecting forecasted revenue in financial 2025/26;

(iii) That Ordinary revenues projected at KSh. 2,835 billion (14.7 % of GDP) from KSh. 2,631.4 billion (14.6% of GDP) in financial year 2024/25 is attainable;

(iv) That there shall be stability in interest rates and foreign exchange rates;

(v) That inflation shall remain stable within the government target of 5±2.5 percent;

(vi) That there shall be a steady GDP growth momentum with a projection of 5.3 percent in 2025; and

(vii) That County Governments will continue to enhance their Own Source Revenues to reduce overreliance on national transfers and improve their fiscal sustainability.

25. In arriving at the allocation of KSh. 417.4 billion, the CRA was informed by the following factors:

(a) The need to ensure adequate resources for counties to perform assigned functions

(b) To provide for counter-part funding of shared commitments for County aggregated parks and community health promoters

(c) The need to ensure County Governments are able to meet financial obligations of non-discretionary commitments such as Housing Levy and Universal Health Coverage

(d) The need to ensure no County gets lower allocation than that for FY 2024/25upon the application of the fourth basis revenue sharing among counties.

(e) Predictable and stable allocation to Counties in line with Article 203 (2) (c) & j

(f) Meeting of National Government provisions for National Debt and obligations under Article 203 (1) (b).

Conclusion

26. The proposals contained in the Bill take into account the financial objectives set out in the 2025 BPS and are intended to achieve fiscal sustainability against the backdrop of escalating expenditure pressure on the fiscal framework occasioned by an increase in Consolidated Fund Services (CFS) and the persistent underperformance of ordinary revenue.

27. The proposed equitable share allocated to County Governments in the County Allocation of Revenue Bill (CARB), 2025 has also taken into account the approved Third Basis Formula for Revenue Allocation. The proposed KSh. 405.1 billion allocations among County Governments pursuant to Article 217 of the Constitution is equivalent to 25.8 percent of the audited and approved actual revenue for financial year 2020/21. This is above 15 per cent minimum threshold required under Article 203(2) of the Constitution.