PARLIAMENT OF KENYA

THE SENATE

SENATE BILLS DIGEST

THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATIONS (NO. 2) BILL (SENATE BILLS NO. 8 OF 2025)

Sponsor:	Sen. (Capt.) Ali Ibrahim Roba, EGH, MP
Date of Publication:	18th June, 2025
Date of First Reading:	27th June, 2025
Committee referred to:	Standing Committee on Finance and Budget
Type of Bill:	Ordinary Bill

1. PURPOSE OF THE BILL

The principal object of the County Governments Additional Allocations (No. 2) Bill, 2025 is to make provision for the transfer of conditional and unconditional additional allocations from the National Government's share of revenue and from development partners to county governments for the financial year 2025/2026.

2. BACKGROUND OF THE BILL

What problem is the Bill seeking to address?

Article 190(1) of the Constitution provides that "*Parliament shall by legislation ensure that county governments have adequate support to enable them to perform their functions*". Article 202(2) of the Constitution further provides that "*county governments may be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally*".

Noting that county governments require additional support to undertake their functions as designated under Part 2 of the Fourth Schedule to the Constitution, Parliament is called upon to facilitate that support by enacting the Bill pursuant to Articles 190(1) and 202(2) of the Constitution to provide for the additional allocation from the national government's share of the revenue to the respective counties.

It is also instructive to note that section 191 of the Public Finance Management Act (Cap 412A) lists the County Governments Additional Allocations Bill as one of the Bills allocating revenue which are required to be introduced in Parliament each financial year.

What does the law currently provide?

There is currently no law in place providing for additional allocation to county governments with respect to the financial year 2025/2026. Other laws providing for additional allocation to county governments only relate to the respective financial years during which the allocations were undertaken.

Why the Bill?

The Bill makes provision for the transfer of conditional and unconditional additional allocations from the National Government's share of revenue and from development partners to county governments for the financial year 2025/2026. Once passed, the Bill will ensure that counties can access additional funds from the National Government and development partners to facilitate the exercise of their functions as designated under Part 2 of the Fourth Schedule to the Constitution.

3. OVERVIEW OF THE BILL

What does the Bill aim to achieve?

The Bill provides for additional allocations from the revenue raised nationally and from proceeds of loans and grants from development partners to county governments for the financial year 2025/2026.

The Bill also intends to facilitate the transfer of the conditional and unconditional additional allocations made to counties from the Consolidated Fund to the respective county revenue funds and special purpose accounts.

What constitutes additional allocations?

The Bill provides that additional allocations constitute funds agreed upon by the Senate and the National Assembly during the consideration of the Budget Policy Statement and comprise—

(a) additional allocations provided to county governments from the National Government's share of revenue, either conditionally or unconditionally, pursuant to Article 202(2) of the Constitution;

(b) additional allocations from the National Government and development partners required for the performance of functions transferred to county governments from the National Government pursuant to Article 187 of the Constitution; and

(c) additional allocations from loans and grants provided by development partners.

The Bill also mandates the inclusion of the additional allocations in relevant county government appropriation legislation.

Unconditional additional allocations

The Bill provides for unconditional additional allocations to respective county governments from proceeds of court fines collected in the enforcement of county legislation and from the twenty percent share of mineral royalties due to the county governments pursuant to section 183 of the Mining Act (Cap. 306) as set out in the First Schedule to the Bill.

The Bill further stipulates that each county government's unconditional additional allocation be transferred to the respective county revenue fund in accordance with a payment schedule published in the *Gazette* by the Cabinet Secretary responsible for finance in accordance with section 17 of the Public Finance Management Act (Cap. 412A).

Conditional additional allocations

The Bill provides for conditional additional allocations to respective county governments from the National Government's share of revenue for the financial year 2025/2026 as set out in the Second Schedule to the Bill and comprising—

(a) allocations for settlement of doctor salary arrears;

(b) allocations for the Community Health Promoters (CHP) project;

(c) allocations for the construction of county headquarters; and

(d) allocations for the County Aggregation and Industrial Parks (CAIP) programme.

The Bill also makes provision for conditional additional allocations financed by proceeds of loans or grants from development partners to various county governments for the financial year 2025/2026 as set out in the Third Schedule to the Bill and comprising—

(a) allocations financed by proceeds from an International Fund for Agricultural Development (IFAD) loan for the Aquaculture Business Development Programme (ABDP);

(b) allocations financed by proceeds from an IDA (World Bank) Credit for Financing Locally-Led Climate Action (FLLoCA) Program – County Climate Institutional Support (CCIS) Grant;

(c) allocations amounting to KShs. 6,187,500,000/- financed by proceeds from an IDA (World Bank) Credit for the FLLoCA Program - County Climate Resilience Investment (CCRI) Grant;

(d) allocations amounting to KShs. 1,200,000,000/- financed by proceeds from a KfW (German Development Bank) loan for co-financing of FLLoCA – County Climate Resilience Investment (CCRI) Grant;

(e) allocations financed by proceeds from an IDA (World Bank) credit for the Food Systems Resilience Project (FSRP);

(f) allocations financed by proceeds from German Development Bank (KfW) for the Drought Resilience Programme in Northern Kenya (DRPNK);

(g) allocations financed by proceeds from an IDA (World Bank) credit for the Second Kenya Devolution Support Program - Institutional Grant (Level 1);

(h) allocations amounting to KShs. 13,042,500,000/- financed by proceeds from an IDA (World Bank) loan for the Second Kenya Devolution Support Program (KDSP2) – Service Delivery and Investment Grant (Level 2);

(i) allocations financed by proceeds from an International Fund for Agricultural Development (IFAD) loan for the Kenya Livestock Commercialization Project (KeLCoP);

(j) allocations amounting to KShs. 10,325,754,660/- financed by proceeds from an IDA (World Bank) loan for the Second Kenya Urban Support Project (KUSP2) - Urban Development Grant (UDG);

(k) allocations amounting to KShs. 1,300,000,000/- financed by proceeds from an IDA (World Bank) loan for the Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG);

(l) allocations amounting to KShs. 4,607,526,599/- financed by proceeds from KfW (German Development Bank) loan for the Kenya Water, Sanitation and Hygiene (KWASH) program;

(m) allocations financed by proceeds from an IDA (World Bank) credit for the National Agricultural Value Chain Development Project (NAVCDP);

(n) allocations financed by proceeds from a DANIDA grant for the Primary Healthcare in Devolved Context (PHC) programme;

(o) allocations financed by proceeds from an IDA (World Bank) Loan for the Water and Sanitation Development Project (WSDP);

(p) allocations financed by proceeds from AFD (Agence Française de Développement/French Development Agency) for Kenya Informal Settlement Improvement Project 2 (KISIP2); and

(q) allocations financed by proceeds from an IDA-World Bank for Kenya Informal Settlement Improvement Project 2 (KISIP2).

The Bill also provides criteria for the allocations made under paragraphs (c) and (d), (h), (j), (k) and (l) above, which allocations are required to be published in the *Gazette* by the Cabinet Secretary responsible for finance.

The bill further requires the allocations to be transferred to the respective county revenue funds in accordance with a payment schedule published in the *Gazette* by the Cabinet Secretary responsible for finance pursuant to section 17 of the Public Finance Management Act and only be accessed by a county government after meeting conditions set out in the Intergovernmental Agreements entered into pursuant to section 191A of the Public Finance Management Act.

The Bill stipulates that the conditional additional allocations be included in the budget estimates of the National Government and be submitted to Parliament for approval.

Reporting and accounting

The Bill mandates the Cabinet Secretary responsible for finance to publish a quarterly report on actual transfers of additional allocations to county governments disbursed pursuant to the Bill, once enacted, by the 30th day of the end of each quarter.

The Bill also requires county treasuries to reflect all transfers of conditional allocations by the National Government to the respective county government in their books of accounts. The Bill further mandates county treasuries, in their respective consolidated quarterly and annual reports required to be submitted under the Public Finance Management Act, to provide information on—

(a) the actual transfers received by the county government from the National Government up to the end of that quarter or year;

(b) the actual expenditure by the county government of the allocations made from the National Government share of revenue, the Road Maintenance Levy Fund and proceeds from court fines collected from the enforcement of county legislation;

(c) the extent of compliance with the provisions of the Bill once enacted and with the conditions of allocations as set out in the intergovernmental agreement entered into by the National Government, the development partner and the county government;

(d) any material problems in the expenditure of any allocations made under the Bill once enacted or compliance with any conditions of allocations set out in an intergovernmental agreement; and

(e) any other information that may be required by the relevant intergovernmental agreement.

Offence

The Bill stipulates that despite any other law, a serious or persistent noncompliance with the provisions of the Bill, once enacted, would constitute an offence of financial misconduct under section 197 of the Public Finance Management Act and those found guilty liable to a term of imprisonment not exceeding five years or to a fine not exceeding ten million shillings, or to both.

Schedules

The Bill contains three schedules as follows:

First Schedule

The First Schedule to the Bill specifies unconditional additional allocations to Kiambu, Kisumu, Kitui, Laikipia, Machakos, Migori, Mombasa, Nairobi, Nakuru and Nyeri county governments from court fines in the financial year 2025/2026 totalling to **KShs. 11,519,280/-**.

The Schedule further specifies unconditional additional allocations to Baringo, Embu, Garissa, Isiolo, Kajiado, Kakamega, Kiambu, Kilifi, Kirinyaga, Kisii, Kitui, Kwale, Machakos, Makueni, Mandera, Marsabit, Meru, Migori, Mombasa, Nairobi, Nakuru, Nandi, Narok, Samburu, Siaya, Taita Taveta, Tana River, Tharaka Nithi, Turkana, Uasin Gishu, Wajir and West Pokot county governments from the 20% share of mineral royalties for the financial year 2025/2026 totalling to **KShs. 2,934,923,148/-.**

Second Schedule

The Second Schedule to the Bill specifies conditional additional allocations to county governments from the National Government's share of revenue in the financial year 2025/2026. The amount allocated totals to **KShs. 9,948,031,729/-.**

The allocations include provisions payment of basic arrears of county health workers to all counties totalling **KShs. 1,759,101,729/-.** They also include allocations for the Community Health Promoters (CHPs) programme to all counties totalling **KShs. 3,234,930,000/-**.

The allocations further include provisions for supplement construction of county headquarters to Isiolo, Lamu, Nyandarua, Tana River and Tharaka Nithi county governments of **KShs. 454,000,000/-**. They also include allocations for the County Aggregation and Industrial Parks (CAIP)s programme to Baringo, Elgeyo Marakwet, Kajiado, Kakamega, Kericho, Kilifi, Kisii, Kitui, Laikipia, Mandera, Narok, Nyandarua, Nyeri, Taita Taveta, Tana River, Tharaka Nithi, Vihiga and Wajir county governments of **KShs. 4,500,000,000.**

Third Schedule

The Third Schedule to the Bill specifies conditional additional allocations to county governments from proceeds of loans or grants from Development Partners in the 2025/2026 financial year to various counties totalling KShs. 56,907,935,467/-. The proceeds facilitating the allocations comprise the following—

(a) International Fund for Agricultural Development (IFAD) loan for the Aquaculture Business Development Programme (ABDP) totalling **KShs. 200,000,000/-**;

(b) IDA (World Bank) Credit for Financing Locally-Led Climate Action (FLLoCA) Program – County Climate Institutional Support (CCIS) Grant totalling **KShs. 121,000,000/-**;

(c) IDA (World Bank) Credit for the FLLoCA Program - County Climate Resilience Investment (CCRI) Grant totalling **KShs. 6,187,500,000/-**;

(d) KfW (German Development Bank) loan for co-financing of FLLoCA – County Climate Resilience Investment (CCRI) Grant totalling **KShs. 1,200,000,000**;

(e) IDA (World Bank) credit for the Food Systems Resilience Project (FSRP) totalling **KShs. 3,200,000,000/-**;

(f) German Development Bank (KfW) for the Drought Resilience Programme in Northern Kenya (DRPNK) totalling **KShs. 1,276,654,208/-**;

(g) IDA (World Bank) credit for the Second Kenya Devolution Support Program - Institutional Grant (Level 1) totalling **KShs. 1,762,500,000/-**;

(h) IDA (World Bank) loan for the Second Kenya Devolution Support Program (KDSP2) – Service Delivery and Investment Grant (Level 2) totalling **KShs. 13,042,500,000/-**;

(i) International Fund for Agricultural Development (IFAD) loan for the Kenya Livestock Commercialization Project (KeLCoP) totalling **KShs. 634,500,000/-**;

(j) IDA (World Bank) loan for the Second Kenya Urban Support Project (KUSP2) - Urban Development Grant (UDG) totalling **KShs. 10,325,754,660/-**;

(k) IDA (World Bank) loan for the Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) totalling **KShs. 1,300,000,000/-**;

(l) KfW (German Development Bank) loan for the Kenya Water, Sanitation and Hygiene (KWASH) Program totalling **KShs. 4,607,526,599/-**;

(m) IDA (World Bank) credit for the National Agricultural Value Chain Development Project (NAVCDP) totalling **KShs. 7,700,000,000/-**;

(n) DANIDA Grant for the Primary Healthcare in Devolved Context (PHC) programme totalling **KShs. 510,000,000/-**;

(o) allocations financed by proceeds from an IDA (World Bank) Loan for the Water and Sanitation Development Project (WSDP) totalling **KShs. 3,000,000,000/-**;

(p) allocations financed by proceeds from AFD (Agence Française de Développement) for Kenya Informal Settlement Improvement Project 2 (KISIP2) totalling **KShs. 1,000,000,000/-**; and

(q) allocations financed by proceeds from IDA-World Bank for Kenya Informal Settlement Improvement Project 2 (KISIP2) totalling **KShs. 840,000,000/-**.

4. CONSEQUENCES OF THE BILL

The Bill, once enacted, will ensure that counties can access additional funds from the National Government and development partners to facilitate the exercise of their functions as designated under Part 2 of the Fourth Schedule to the Constitution.

5. WAY FORWARD

What next?

The Bill was Read a First Time in the Senate on 27th June, 2025. Pursuant to standing order 145 of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget shall facilitate public participation and shall take into account the views and recommendations of the public when the Committee prepares and submits it report to the Senate.

Pursuant to standing order 148 of the Senate Standing Orders, the Committee is required to submit its report to the Senate within thirty (30) calendar days of the committal of the Bill to the Committee, therefore, by 28th July, 2025

What is expected of the members of public?

The members of the public are expected to present their views to the Standing Committee on Finance and Budget for consideration.

Note:

1. This Digest reflects the Bill as published and does not cover any subsequent amendments to the Bill made thereafter.
2. The Digest does not have any official legal status.