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THIRTEENTH PARLIAMENT | FOURTH SESSION

THE SENATE

STANDING COMMITTEE ON FINANCE AND BUDGET

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

PAPERS LAID	
DATE	15/7/25
TABLED BY	Sen. Faki
COMMITTEE	Finance & B.
CLERK AT THE TABLE	Tiffany

Rt. Hon. Speaker
You may approve for tabling
J. M. Nyegenye, C.B.S.,
Clerk of the senate/secretary, PSC
Date: 15/07/25

Clerk's Chambers,
Parliament Buildings,
NAIROBI.

July 2025

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LIST OF ABBREVIATIONS/ACRONYMS

ABDP	Aquaculture Business Development Programme
CAF	County Assemblies Forum
CAIPS	County Aggregation and Industrial Parks
CCRI	County Climate Resilience Investment
CGAAA	County Government Additional Allocation Act
CGAAB	County Government Additional Allocation Bill
CHP	Community Health Promoters
CoG	Council of County Governors
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
DRPNK	Drought Resilience Programme in Northern Kenya
FLLoCA	Financing Locally-Led Climate Action
FSRP	Food Systems Resilience Project
FY	Financial Year
ICPAK	Institute of Certified Accountants of Kenya
IDA	International Development Association
IFAD	International Fund for Agricultural Development
KDSP	Kenya Devolution Support Program
KeLCoP	Kenya Livestock Commercialization Project
KfW	German Development Bank
KISIP	Kenya Informal Settlement Improvement Project
KUSP	Kenya Urban Support Project
K-WASH	Kenya Water, Sanitation and Hygiene
NAVCDP	National Agricultural Value Chain Development Project
PFM	Public Finance Management
PHDC	Primary Health Care in Devolved Context
RMLF	Road Maintenance Levy Fund
UDG	Urban Development Grant
UIG	Urban Institutional Grant
WSDP	Water and Sanitation Development Project

PRELIMINARIES

ESTABLISHMENT AND MANDATE OF THE COMMITTEE

Article 124(1) of the Constitution of Kenya provides for the establishment of Committees where each house of Parliament may establish committees and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committees.

Parliamentary Committees consider policy issues, scrutinize the workings and expenditures of the national and county governments, and examine proposals for legislation. The end result of any process in Committees is a report, which is tabled in the House for consideration.

The Senate Standing Committees are established pursuant to standing order 228 of the Senate Standing Orders. The Fourth Schedule to the Senate Standing Orders outlines the subject matter assigned to each specific Committee. The Standing Committee on Finance and Budget is mandated to-

a) investigate, inquire into and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -
    i. the Budget Policy Statement presented to the Senate;
    ii. the report on the budget allocated to constitutional Commissions and independent offices;
    iii. the Division of Revenue Bill, the County Allocation of Revenue Bill, the *County Governments Additional Allocations Bill*, and the cash disbursement schedule for county governments;
    iv. all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, matters concerning the national budget, including public finance and monetary policies and public debt, planning, and development policy; and
b) Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.

MEMBERSHIP OF THE COMMITTEE

The Standing Committee on Finance and Budget was constituted by the Senate of the Thirteenth (13th) Parliament on Thursday, 13th October, 2022 during the First Session. The Committee was later reconstituted on Wednesday, 12th February, 2025, during the Fourth Session. The Committee as currently constituted is comprised of the following Members-

1) **Sen. (Capt.) Ali Ibrahim Roba, EGH, MP** - **Chairperson**
2) **Sen. Maureen Tabitha Mutinda, MP** - **Vice-Chairperson**
3) Sen. (Dr.) Boni Khalwale, CBS, MP - Member
4) Sen. Mohamed Faki Mwinyihaji, CBS, MP - Member
5) Sen. Richard Momoima Onyonka, MP - Member
6) Sen. Shakila Abdalla Mohamed, MP - Member
7) Sen. Eddy Gicheru Oketch, MP - Member
8) Sen. Mariam Sheikh Omar, MP - Member
9) Sen. Esther Okenyuri, MP - Member

CHAIRPERSON'S FOREWORD

The County Governments Additional Allocation (No. 2) Bill, 2025 (Senate Bills No. 8 of 2025) was published *vide* Kenya Gazette Supplement No. 89 of 18th June, 2025. The Bill was read a First Time in the Senate at its sitting held on Friday, 27th June, 2025. Thereafter, pursuant to standing order 145 of the Senate Standing Orders, the Bill was committed to the Standing Committee on Finance and Budget for consideration.

The primary object of the Bill is to provide for the transfer of conditional or unconditional allocations from the national government's share of revenue under Article 202(2) of the Constitution and additional allocations from the proceeds of external loans and grants from development partners in line with Article 190 of the Constitution to the county governments for Financial Year 2025/2026. The Bill also provides for the responsibilities of national and county governments.

The Bill provides for a total of Ksh.69.8 billion as additional allocations to county governments, outlined in three (3) Schedules indicating the beneficiary counties with respective allocations.

The First Schedule outlines unconditional additional allocations amounting to Ksh.2,946,442,428 for FY 2025/2026 comprising-

a) Allocations for court fines -Ksh.11,519,280.
b) Allocations for 20% share of mineral royalties-Ksh.2,934,923,148.

The Second Schedule outlines conditional additional allocations to county governments from the National government's share of revenue for Financial Year 2025/2026 amounting to Ksh.9,948,031,729 comprising of the following allocations-

a) Payment of basic salary arrears of county health workers-Ksh.1,759,101,729;
b) Community health workers promoters (CHPs) Programme-Ksh.3,234,930,000;
c) Supplement for construction of county headquaters-Ksh.454 million;
d) County aggregation and Industrial Parks (CAIPS)-Ksh.4.5 billion;

The Third Schedule outlines additional allocations to county governments from the proceeds of loans or grants from Development Partners for FY 2025/2026 amounting to Ksh.56.9 billion. These allocations include-

a) International Fund for Agricultural Development (IFAD) loan for the Aquaculture Business Development Project (ABDP) amounting to Ksh.200 million.
b) IDA (World Bank) Credit for Financing Locally- Led Climate Action Program, (FLLoCA) - County Climate Institutional Support (CCIS) Grant amounting to Ksh.121 million.
c) IDA (World Bank) Credit (Financing Locally- Led Climate Action Program, FLLoCA) County Climate Resilience Investment (CCRI) Grant allocation of Ksh.6.2 billion.
d) Financing Locally- Led Climate Action Program, (FLLoCA) County Climate Resilience Investment (CCRI) grant financed by proceeds from a KfW (German Development Bank) loan amounting to Ksh.1.2 billion.
e) IDA (World Bank) loan for the Food Systems Resilience Project – (FSRP) totalling to Ksh.3.2 billion.
f) Drought Resilience Programme in Northern Kenya (DRPNK) funded by the German Development Bank (KfW), amount of Ksh.1.28 billion.
g) IDA (World Bank) Second Kenya Devolution Support Programme (KDSP) II- Institutional Grant (Level 1 Grant) of Ksh.1.76 billion.
h) IDA (World Bank) Kenya Devolution Support Program II (KDSP II)- Service Delivery and Investment Grant (Level 2) of Ksh.13.042 billion.
i) International Fund for Agricultural Development (IFAD) loan for Kenya Livestock Commercialization Project (KeLCoP)-Ksh.634.5 million.
j) IDA (World Bank) Loan for the Kenya Urban Support Project (KUSP) – Urban Institutional Grant (UIG) of Ksh.1.3 billion.
k) IDA (World Bank) loan for Kenya Urban Support Project (KUSP)- Urban Development Grant (UDG) of Ksh.10.3 billion.
l) Kenya Water, Sanitation and Hygiene (K-WASH) Programme of Ksh.4.6 billion.
m) IDA (World Bank) Loan for the National Agricultural Value Chain Development Project (NAVCDP) amounting to Ksh.7.7 billion.
n) DANIDA Grant for Primary Health Care in Devolved Context (PHDC) Programme of Ksh.510 million.

o) IDA (World Bank) loan to finance Water and Sanitation Development Project (WSDP) totalling to Ksh.3 billion.
p) Kenya Informal Settlement Improvement Project (KISIP II) from AFD of Ksh.1 billion
q) IDA (World Bank) loan for Kenya Informal Settlement Improvement Project (KISIP II) of Ksh.840 million.

In compliance with the provisions of standing order 145(5) of the Senate Standing Orders, and Article 118 of the Constitution the Committee proceeded to undertake public participation on the Bill. In this regard, the Committee published an advertisement in the Daily Nation newspapers on Saturday, 28th June, 2025, and Sunday, 29th June, 2025 inviting members of the public to submit written memoranda to the Committee on the Bill. The Committee also sent invitations to key stakeholders inviting them to submit their comments on the Bill, including the National Treasury and Economic Planning; Council of Governors; Commission on Revenue Allocation; County Assemblies Forum; Institute of Public Finance; Institute of Certified Public Accountants of Kenya; Institute of Economic Affairs-Kenya; the Institute for Social Accountability; and Bajeti Hub.

The Committee, having considered the Bill and analysed stakeholders' submissions made the following observations. That-

a) The Bill provides for an allocation of a total of Ksh.2.93 billion as the 20% share of mineral royalties due to specific counties for FY 2025/26. The amount is the cumulative collection of mineral royalties due to the counties since 2016. The previous years allocation on mineral royalties were not disbursed to beneficiary counties due to lack of transfer frameworks, and lack of budgetary allocation. The allocation in the Bill amounting to Ksh.2.93 billion has been budgeted under the National Treasury- Strategic Interventions Programme.
b) The Doctors' Basic Salary Arrears of Ksh.1.759 billion contained in the Bill is the second and final allocation towards the Payment of Basic Salary Arrears of Ksh. 3.52 billion owed to doctors by counties between FY 2017 and June 2024.

c) Although the Bill shares the Ksh.454 million allocated for the Construction of County Headquarters among the five counties entirely, the FY 2025/26 national government budget estimates had made a provision of Ksh.449 million to be directly applied to the construction works (the conditional transfer to counties) and Ksh.5 million set aside for operational expenses.

d) The allocation for FY 2024/25 of Ksh.523.1 million towards the Construction of the county Headquarters was intended to be the final allocation to the projects. However, due to non-disbursement of the Ksh.338.4 million for FY 2023/24 and the non-budgetary provision of the Ksh.523.1 million in FY 2024/25, the national government commitment is still due to counties. Further review indicates that Ksh.700 million is the actual disbursement to the project by the National Treasury as at the end of June, 2024.

e) While the Bill allocates Ksh.4.5 billion among eighteen counties under the County Aggregation and Industrial Parks (CAIPs) Programme, analysis shows that some of these counties are not part of the prioritized list for onboarding in the FY 2025/26 program, based on project implementation status. A review of the implementation status reveals that eleven counties have received full commitment of Ksh.250 million from the National Government as at the end of FY 2024/25 and are scheduled to complete the projects by August 2025.

f) Further, two counties have a deficit of Ksh.65.6 million each, and another eight counties face a deficit of Ksh.113.4 million each from the National Government. However, these counties, are at an advanced stage of implementation.

g) Further, another set of thirteen counties have made significant progress in the implementation of the projects, even without the national government contribution. While another set of thirteen counties have their projects still at the very initial stages, with some having land acquisition negotiations and others developing the documents for advertisement.

h) While the Bill provides for allocations from the proceeds of loans and grants from development partners totalling Ksh.56.91 billion, Ksh.36.6 billion under various programs has not yet been shared among the counties. These includes-

   (i) IDA (World Bank) Credit for Financing Locally-Led Climate Action (FLLoCA) Program - County Climate Resilience Investment (CCRI) Grant of Ksh.6.2 billion,
   (ii) KfW (German Development Bank) Loan for Co-Financing of FLLoCA – County Climate Resilience Investment (CCRI) Grant of Ksh.1.2 billion,
   (iii) IDA (World Bank) Loan for the Second Kenya Devolution Support Program (KDSP2) - Service Delivery and Investment Grant (Level 2) of Ksh.13.04 billion,
   (iv) IDA (World Bank) Loan for the Second Kenya Urban Support Project (KUSP2) - Urban Development Grant (UDG) of Ksh.10.3 billion,
   (v) IDA (World Bank) Loan for the Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) of Ksh.1.3 billion, and
   (vi) KfW (German Development Bank) Loan for Kenya Water, Sanitation and Hygiene (KWASH) of Ksh.4.61 billion.

   The Bill states that these will be allocated among county governments after meeting certain conditions and based on the criteria set out in Bill.

i) Clause 6(3)(b) of the Bill indicates that each allocation in the Bill can only be accessed by a county government after meeting conditions set out in the Intergovernmental Agreements entered into pursuant to section 191A-E of the Public Finance Management Act. However, at the time of the publication of the County Governments Additional Allocations (No. 2) Bill, 2025 the Intergovernmental Agreements were not in place. Further that, there was a proposal contained in Public Finance Management (Amendment) Bill, 2025 (National Assembly Bill No.17), seeking to repeal section 191A-E.

j) The Bill in clause 6(4) indicates that all additional allocations as provided in the Bill should be included in the budget estimates of the National Government and shall be submitted to Parliament for approval. This implies that the disbursement of the funds to the counties in FY 2025/26 will be based on the appropriation through the Annual Appropriation.

k) The National Treasury and Council of Governors requested the Parliament to consider including in the Bill conditional allocations from Road Maintenance Levy Fund (RMLF) and Affordable Housing Levy for County Rural and Urban Affordable Housing Committees.

Recommendations

The Committee, having considered the Bill and stakeholders' submission recommends that the Senate approves the Bill with the following amendments-

a) Clause 6(3)(b)- Amendments suspending implementation of sections 191A to 191E of the Public Finance Management Act on the Intergovernmental Agreements for FY 2025/2026.

b) Introduction of New Schedule to the Bill to provide for additional allocations amounting to Ksh.23,637,782,715 to county governments from Road Maintenance Levy Fund (RMLF). This is in regard to allocations for FY 2024/25 amounting to Ksh.10,522,211,853 and 2025/26 amounting to Ksh.13,115,570,862.

c) Amendments to Second Schedule to the Bill to provide an additional Allocations from the Housing Levy Fund to the County Government's Rural and Housing Committees equivalent to Ksh.93,418,251.

This brings the total amount of additional allocations to county governments to Ksh.93.526 billion.

Acknowledgment

The Committee appreciates all the stakeholders who submitted written memoranda and who appeared before the Committee to present their comments on the Bill.

The Committee also appreciates the offices of the Speaker and the Clerk of the Senate for the support extended to the Committee in discharging its mandate.

Lastly, I take this opportunity to commend the Members of the Committee for their devotion and commitment to duty, which made the consideration of the County Governments Additional Allocation (No. 2) Bill, 2025 (Senate Bills No. 8 of 2025) successful.

It is now my pleasant duty, pursuant to standing order 148(1) of the Senate Standing Orders, to present the Report of the Standing Committee on Finance and Budget to the Senate on the County Governments Additional Allocation (No.2) Bill, 2025 (Senate Bills No. 8 of 2025).

Signature.............................. Date..11/07/2025

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP.

CHAIRPERSON,

STANDING COMMITTEE ON FINANCE AND BUDGET)

ADOPTION OF THE REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATION (NO. 2) BILL, 2025 (SENATE BILLS NO. 8 OF 2025)

We, the undersigned Members of the Senate Standing Committee on Finance and Budget, do hereby append our signatures to adopt this Report-

	Name	Designation	Signature
1.	**Sen. Capt. Ali Ibrahim Roba, EGH, MP**	**Chairperson**	
2.	**Sen. Maureen Tabitha Mutinda, MP**	**Vice-Chairperson**	
3.	Sen. (Dr.) Boni Khalwale, CBS, MP	Member	
4.	Sen. Mohamed Faki Mwinyihaji, CBS, MP	Member	
5.	Sen. Richard Momoima Onyonka, MP	Member	
6.	Sen. Shakila Abdalla Mohamed, MP	Member	
7.	Sen. Eddy Gicheru Oketch, MP	Member	
8.	Sen. Mariam Sheikh Omar, MP	Member	
9.	Sen. Esther Okenyuri, MP	Member	

CHAPTER ONE

OVERVIEW OF THE ON THE COUNTY GOVERNMENTS ADDITIONAL ALLOCATION (NO. 2) BILL, 2025 (SENATE BILLS NO. 8 OF 2025)

1.1 Introduction

1. County Government Additional Allocation is prepared pursuant to Articles 187, 190(1), and 202(2) of the Constitution. Article 202(2) provides that County governments may be given additional allocations from the national government's share of the revenue, either conditionally or unconditionally. Further, Article 190(1) mandates Parliament to ensure county governments are adequately supported to enable them to perform their functions through legislation.

2. Article 187 outlines the procedure of transfer of functions and powers between the two levels of government. It envisaged that a function or power of government at one level may be transferred to a government at the other level by agreement between the governments.

3. The County Additional Allocation Bill is a legislative instrument that facilitates the transfer of necessary resources for the performance of the function that has been transferred or shared between the levels of government.

4. The *draft* County Government Additional Allocation Bill is prepared and submitted alongside the Budget Policy Statement to Parliament by the National Treasury as per section 191 of the Public Finance Management Act (Cap. 412A). Section 191(3A) of the PFM Act highlights that a Bill making allocations under Article 202(2) of the Constitution shall specify any other allocations to the counties from the National Government's share of that revenue and any conditions to which those allocations shall be made.

5. Sections 191A to 191E of the PFM Act (Cap. 412A) exclusively provides for the preparation and signing of intergovernmental agreements between the National Treasury and the respective county governments. The sections further provide for approval of the agreements by the respective county assemblies as

well as undertaking public participation. The signed agreements are supposed to be submitted to the Senate and the Controller of Budget and the National Treasury should publish and publicize them.

6. The County Governments Additional Allocations Bill, 2025 was Published on 18th June, 2025 and read a First Time in the Senate on 27th June, 2025. Thereafter, the Bill is committed to the Standing Committee on Finance and Budget pursuant to standing order 145 of the Senate Standing Orders for consideration and public participation.

7. Parliament is required to consider the County Governments Additional Allocations Bill not later than thirty days after the Bill has been introduced with a view to approving it, with or without amendments as per section 42 of the Public Finance Management Act, Cap. 412A.

1.2 Contents of the County Government Additional Allocation Bill,2025.

8. The Bill consists ten clauses and three (3) Schedules. The clauses provide for the title of the Bill, the object and the purpose of the Bill and the detailed explanations of the allocations contained in the Bill. The schedules specify the amount allocated to each beneficiary county government under various projects.

9. The Bill proposes to allocate a total of Ksh.69.8 billion as additional resources to counties comprising of: Ksh.2.95 billion from Court Fines and 20% Share of Mineral Royalties (First Schedule), Ksh.9.95 billion from the National Government's Share of Revenue (Second Schedule) and Ksh.56.91 billion from proceeds of loans and grants from development partners (Third Schedule).

1.3 Analysis of the projects and type of allocations in the County Government Additional Allocation Bill, 2025

1.3.1 Allocations in the First Schedule

a. Court fines

10. The Bill proposes to allocate Ksh.11.5 million to ten (10) counties from court fines collected in FY 2023/24 from contravention of county laws. The allocation

is based on the actual collection of court fines from these particular counties by the Judiciary.

b. The 20% Share of Mineral Royalties.

11. Mineral royalties are entitlement to counties through the provisions of section 183(5) of the Mining Act (Cap. 306), which stipulates that twenty percent (20%) of mineral royalties paid to the State shall accrue to the County Government where the mining operations occurred. The Bill proposes to allocate a total of Ksh.2.93 billion as the share of Mineral royalties due to specific counties for FY 2025/26. This allocation comprises the allocation of Ksh.1.055 billion for FY 2024/25, which was not disbursed to the beneficiary counties, and Ksh.1.88 billion proposed for FY 2025/26.

12. The amount is shared across thirty-two (32) counties, being the total sum of mineral royalties accrued for the counties up to FY2023/24. Counties with the highest allocations included: Kwale (Ksh.1.167 billion), Kilifi (Ksh.950.1 million), and Kajiado (Ksh.660.2 million).

1.3.2 Allocations in the Second Schedule.

a. Payment of Doctor's Basic Salary Arrears

13. The Bill proposes to allocate a total of Ksh. 1.759 billion for the payment of doctors' basic salary arrears in the 47 counties. The Return-to-Work Formula agreement between the Government and the Kenya Medical Practitioners, Pharmacists, and Dental Union (KMPDU), the doctors' outstanding salary arrears of Ksh.3.52 billion were to be settled in two equal instalments of Ksh.1.759 billion each in FY 2024/25 and FY 2025/26.

14. The first allocation under the agreement was done through the County Government Additional Allocation Act for FY 2024/25. This means that the amount of Ksh. 1.759 billion contained in the Bill is the second and final allocation towards the Payment of Basic Salary Arrears of Ksh. 3.52 billion owed to doctors by counties between FY 2017 and June 2024.

15. The allocation per county is based on the average number of doctors per county between FY 2017/18 to FY 2023/24. Counties with the highest allocations include Kiambu (Ksh. 120 million), Nairobi (Ksh. 112.3 million), Mombasa (Ksh. 108.9 million), and Nakuru (Ksh. 90.4 million). The number of doctors in these counties averaged at 301, 326, 224, and 202, respectively, during the period between 2017 to June 2024.

b. Community Health Promoters (CHPs) Programme

16. The Community Health Promoters (CHPs) Programme is allocated a total of Ksh.3.234 billion in the FY 2025/26. This is similar to the allocation to the same programme in FY 2024/25. The programme is anchored in the Universal Health Coverage (UHC) under the Government Bottom-Up Economic Transformation Agenda (BETA), where the National Government and County governments are partnering to provide adequate and quality health care services to communities.

17. Under the agreement, the national and county governments are required to work in collaboration and interdependently towards achieving quality service delivery of community health services to address determinants of health with the aim of reducing socioeconomic health disparities. The agreement stipulates payment of a monthly stipend to CHPs of Ksh.5,000 shared between the National and the county governments on a matching basis. The Ksh.3.234 billion is shared among the counties as per the number of CHPs in each county.

c. Construction of County Headquarters

18. Ksh.454 million has been proposed towards the construction of county headquarter offices for five (5) County Governments: Isiolo, Lamu, Tana River, Tharaka Nithi, and Nyandarua. The allocation follows the National Government's commitment since FY 2017/18 to support these five counties which did not inherit adequate facilities that could accommodate the new administration at the onset of devolution.

19. The allocation per county is as follows: Isiolo-Ksh.60million, Lamu-Ksh.121 million, Tana River-Ksh.121 million, Tharaka Nithi-Ksh.31 million, and Nyandarua- Ksh.121 million.

d. County Aggregation and Industrial Parks (CAIPs) Programme.

20. The Bill proposes to allocate a total of Ksh.4.5 billion towards the construction of County Aggregation and Industrial Parks CAIPs to eighteen counties in FY 2025/26. The money is shared equally among beneficiary counties with each receiving Ksh.250 million. Each beneficiary county is expected to give a counterpart funding of a similar amount.

21. The core objective of the establishment of these agro-industries is to boost the manufacturing sector, enhance agro-industries, increase productivity in agriculture, create jobs, and foster sustainable and inclusive economic growth. Additionally, the project seeks to accelerate agricultural transformation and inclusive growth through aggregation and value addition.

22. The eighteen counties being proposed for funding in the Bill for the FY 2025/26 include- Baringo, Elgeyo Marakwet, Kajiado, Kakamega, Kericho, Kilifi, Kisii, Kitui, Laikipia, Mandera, Narok, Nyandarua, Nyeri, Taita Taveta, Tana River, Tharaka Nithi, Vihiga, and Wajir.

23. Review on the progress status of the construction of industrial parks across counties indicates that 34 counties are at different levels of completion (between 10% and 92%), and thirteen counties are yet to start the projects. Allocation to the projects from the National Government up to FY 2024/25 prioritized thirteen (13) counties with an aim of completion by August 2025.

24. Out of the thirteen (13) prioritized, eleven (11) are expected to receive full contribution from the National government by the end of FY 2024/25, and two will have outstanding balances of Ksh.65.6 million each (Wajir and Kisii). The priority thirteen counties and level of completion are: Meru-83%, Homa Bay-47%, Busia-70%, Kirinyaga-81%, Embu-83%, Uasin Gishu-55%, Garissa-79%,

Migori-80%, Machakos-61%, Kwale-60%, Wajir-65%, Kisii-75% and Bungoma-54%.

25. Another lot of eight counties are expected receive Ksh.116.6 million each from the National Government contribution by the end of FY 2024/25. The counties with their status of completion include; Kiambu-60%, Mombasa-10%, Murang'a-10%, Nakuru-30%, Nandi-30%, Nyamira-30% Siaya-23% and Trans Nzoia-25%.

26. Further analysis reveals that another lot of thirteen (13) counties have made some progress in the implementation of the projects, but are yet to receive the National government contribution. These counties are; Tana River-50%, Marsabit-50%, Kitui-41%, Kericho-40%, Baringo-30%, Kilifi-30%, Nyeri-25%, Kakamega-22%, Laikipia-20%, Nyandarua -17%, Kajiado-16%, Vihiga-15% and Narok-10%.

1.3.3 Allocations in the third schedule

27. The third schedule of the Bill outlines allocations from the proceeds of loans and grants from development partners, amounting to Ksh.56.91 billion. The allocation is shared across the 47 counties under seventeen different programmes and projects. The projects include-

    a) Aquaculture Business Development Programme (ABDP) with an allocation of Ksh. 200 million to be shared among fifteen (15) beneficiary counties. The project is funded by the International Fund for Agricultural Development (IFAD) and aims to improve incomes, food security, and nutrition among poor rural households involved in aquaculture activities.

    b) IDA (World Bank) Credit (Financing Locally- Led Climate Action Program, FLLoCA) CCIS Grant allocated Ksh.121 million shared among seven counties, with Mombasa and Nairobi meant to receive the highest allocation of Ksh.33 million each and the other five counties Ksh.11 million each.

c) IDA (World Bank) Credit (Financing Locally- Led Climate Action Program, FLLoCA) CCRI Grant allocated Ksh.6.2 billion going towards funding climate change activities across 45 counties. The main objective is to support counties in implementing their County Climate Action Plans (CCAPs), encourage greater county investment in climate action through the County Climate Change Fund (CCCF), and mainstream climate considerations across all county functions.

d) KFW (German Development Cooperation) Credit Co- Financing of Financing Locally-Led Climate Action Program, (FLLoCA) CCRI-grant of Ksh.1.2 billion for the 16 counties. The programme funded by the KfW (German Financial Cooperation) is similar to the World Bank programme on climate change, and it aims to support of County Climate Action Plans (CCAPs) and increase local investment into the County Climate Change Fund.

e) Food Systems Resilience Project (FSRP) being funded by the IDA (World Bank) Credit of Ksh.3.2 billion. The project will be implemented in thirteen (13) counties aimed at enhancing food security and strengthen the resilience of food systems. Each county will receive Ksh.246 million from the donor and contribute counterpart funding of Ksh.5 million.

f) Drought Resilience Programme in Northern Kenya (DRPNK) funded by the German Development Bank (KfW) by Ksh.1.28 billion to be shared between Marsabit and Turkana Counties, with an allocation of Ksh. 580 million and Ksh.696.7 million respectively. The programme's objective is to enhance drought resilience and climate change adaptive capacity in pastoral and agro-pastoral communities by constructing and rehabilitating relevant infrastructure in selected areas of Marsabit and Turkana counties.

g) Second Kenya Devolution Support Program (KDSP II) – Institutional Grant (Level 1 Grant) allocated Ksh.1.762 billion going to all the 47 counties, with each benefiting with Ksh.37.5 million. The IDA-World Bank funded project aims to incentivize counties to establish core governance and institutional systems for effective public resource management.

h) Second Kenya Devolution Support Program (KDSP II) - Service Delivery and Investment Grant (Level 2) that allocates Ksh.13 billion, funded by the IDA -World Bank across the 47 counties. The grant aims to finance county-level infrastructure and service delivery investments while incentivizing performance improvement. The investments must align with each county's County Integrated Development Plan (CIDP) and County Annual Development Plan (CADP).

i) Kenya Livestock Commercialization Project (KELCOP) with an allocation of Ksh.634.5 million from the International Fund for Agricultural Development (IFAD) for sharing among ten (10) counties. The project's main goal is to enhance incomes, food, and nutrition security for rural small-scale farmers, particularly women and youth. The development objective is to increase incomes for 110,000 poor livestock and pastoralist households in an environmentally sustainable manner within the selected counties.

j) Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) programme supported by IDA World Bank Credit amounting to Ksh.1.3 billion. The grant aims to support urban development planning, establishment and operationalization of urban institutional frameworks, such as charters, boards, and administrations, and initial preparations for urban infrastructure investments across 45 counties.

k) Second Kenya Urban Support Project (KUSPII)- Urban Development Grant (UDG)-with an allocation of Ksh.10.3 billion from IDA -World Bank credit. The programme will be implemented in 45 counties, and the money will go to actual infrastructure investments in urban areas through urban boards and other administrations.

l) Kenya Water, Sanitation and Hygiene (K-WASH) Program of Ksh.4.6 billion. The project seeks to expand access to water and sanitation across 19 counties classified as either rural or ASAL areas in Kenya. Overall, K-WASH programme aims to enhance lives and health by developing and managing sustainable Water, Sanitation, and Hygiene (WASH) services in these counties.

m) National Agricultural Value Chain Development Project (NAVCDP)- funded through IDA -World Bank by Ksh.7.7 billion. The project's main goal is to enhance market participation and value addition for targeted farmers in selected value chains in 34 counties. Beneficiary county governments are expected to avail a counterpart contribution of Ksh.5 million each.

n) DANIDA Grant -Primary Health Care in Devolved Context (PHDC) Programme of Ksh.510 million shared in all the 47 counties. The grant aims to enhance primary healthcare services, particularly Reproductive, Maternal, Newborn, Child, and Adolescent Health (RMNCAH) services.

o) Water and Sanitation Development Project (WSDP) through IDA World Bank support of Ksh.3 billion. The project is designed to improve water and sanitation coverage in six select coastal and Northeastern counties. The county with the highest allocation is Kilifi with an allocation of Ksh.900 million.

p) Kenya Informal Settlement Improvement Project II (KISIP-II) of Ksh.1 billion from the AFD. The project will be implemented in seven counties and aims to support the development of sustainable infrastructure in informal settlements as part of slum upgrading efforts.

q) Kenya Informal Settlement Improvement Project II (KISIPII) funded by the IDA -World Bank to a tune of Ksh.840 million. The project targets 11 counties and is meant to support the development of sustainable infrastructure in selected informal settlements.

CHAPTER TWO

OVERVIEW OF PUBLIC PARTICIPATION ON THE BILL

2.0 Introduction

28. The Committee, pursuant to the provisions of Article 118 of the Constitution and Standing Order 145 (5) of the Senate Standing Orders, proceeded to undertake public participation on the Bill. In this regard, the Committee published an advertisement in the *Daily Nation* newspaper on Saturday, 28th and Sunday, 29th June, 2025 inviting members of the public to submit written memoranda on the Bill. The advertisement was also posted on the Parliament website and social media platforms. A copy of the advertisement is attached.

29. The Committee received written submissions from the following stakeholders-
    a) National Treasury and Economic Planning;
    b) Commission on Revenue Allocation (CRA);
    c) Council of Governors (CoG);
    d) County Assemblies Forum (CAF); and
    e) Institute of Certified Accountants of Kenya (ICPAK)

2.1 Submissions by the National Treasury and Economic Planning

30. The National Treasury submitted as follows-
    a) The National Treasury observed that the First Schedule of the Bill includes Ksh. 11.5 million in unconditional additional allocations derived from court fines collected in FY 2023/24, as well as Ksh. 2.93 billion from the 20 percent share of mineral royalties, representing arrears from FY 2016/17 to FY 2021/22. They noted that this cumulative total of Ksh. 2.95 billion for unconditional allocations to county governments is well aligned with their earlier legislative proposal to the National Assembly in February 2025 as well as the National Government Appropriations for FY 2025.
    b) That the Second Schedule of the Bill provides for Ksh. 1,759,101,729 in conditional additional allocations to cover Phase II salary arrears for

doctors working in county governments. However, they pointed out that the National Government has appropriated Ksh. 1,750,000,000 for this purpose, resulting in a deficit of Ksh. 9,101,729, and advised Parliament to revise this allocation to match the appropriated amount.

c) The National Treasury further reported that conditional additional allocations of Ksh. 3,234,930,000 for the Community Health Promoters (CHPs) Programme, Ksh. 454,000,000 for the construction of county headquarters, and Ksh. 4.5 billion for the County Aggregated Industrial Parks (CAIPs) Programme were all consistent with their legislative proposal submitted to Parliament in February 2025.

d) The National Treasury noted that the Third Schedule of the Bill contains a cumulative allocation of Ksh. 56.91 billion in conditional additional allocations financed from loans and grants by development partners for FY 2025/26, and confirmed that it is aligned with both CGAAB, 2025 for FY 2025/26 in their legislative proposal submitted to Parliament in February 2025, and the National Government Appropriations for the FY 2025/26.

e) The National Treasury explained that allocations under the Road Maintenance Levy Fund (RMLF) had been excluded from the proposed CGAAB 2025 due to an ongoing court case at the time. However, the National Treasury referenced a High Court judgment- (in the Petition involving Issa Elanyi Chemao and others vs National Assembly, Case Number HCCHRPET/E423/2024, dated 16th August 2024), which declared the National Assembly's decision on 28th September 2023 to exclude counties from RMLF funds to be illegal and unconstitutional. In light of this, the National Treasury suggested that Parliament may consider including additional allocations from the RMLF in the Second Schedule of the Bill, using allocation criteria that may be guided by the Kenya Roads Board who is the Fund Administrator.

f) Lastly, that in accordance with sections 11(4)(c) and 11(5) of the Affordable Housing Act, 2024, the Cabinet Secretary for the National Treasury and Economic Planning, through a letter dated 26th May 2025, approved Ksh. 93,418,251—being 0.5% of the total Ksh. 18,683,650,121 audited Housing Levy receipts for FY 2023/24—to be shared equally among the 47 County Rural and Urban Affordable Housing Committees for the FY 2025/26. That therefore, Parliament should consider incorporating this allocation into the CGAAB 2025, based on schedules submitted by the State Department for Housing and Urban Development.

2.2 Submissions by the Commission on Revenue Allocation (CRA)

31. The Commission on Revenue Allocation (CRA) submitted as follows-
    a) The Commission on Revenue Allocation submitted that section 2 of the Bill on interpretation should be amended to explicitly include unconditional allocations to county governments from court fines and mineral royalties under the definition of "additional allocation." The CRA noted that these allocations are provided for in the First Schedule of the Bill.
    b) CRA further proposed the inclusion of county allocations from the Road Maintenance Levy Fund (RMLF), referring to the High Court judgment in Petition No. HCCHRPET/E423/2024, which declared as unconstitutional the National Assembly's decision to exclude county governments from receiving RMLF allocations in the financial years 2024/25 and 2025/26. The CRA reported that despite an appeal having been lodged, the Kenya Roads Board disbursed Ksh. 3,662,774,150 to county governments on 17th June, 2025, and therefore urged the Senate to consider including the RMLF allocations to the county governments in the Bill for the FY 2025/26 based on the 15% estimate by the Kenya Roads Board, as the Fourth Schedule.
    c) On clause 3(a) of the Bill, CRA pointed out that although the section refers to Article 202(2) of the Constitution, it does not make it clear that the additional allocations stem from the national government's share of revenue. As such, the Commission recommended the insertion of the phrase "from the national government's share of revenue" to enhance clarity.

d) CRA also observed that clause 5(2) refers to the Public Finance Management Act but omits the year of enactment. The Commission proposed that the citation be corrected to read "Public Finance Management Act, 2012" to ensure accurate referencing.

e) On clause 6(1)(a), CRA noted a grammatical error where the word "doctor" is used instead of the correct plural possessive form. They therefore proposed replacing the word with "doctors'" for grammatical correctness and clarity.

f) On clause 5(1)(a), CRA highlighted an inconsistency in the reference to the First Schedule, which states that the proceeds of court fines are set out in Column A. The Commission clarified that Column A contains the total unconditional allocations, whereas the correct column for court fines is Column B, and thus proposed that the reference be amended accordingly.

g) CRA further noted that clause 5(1)(b) made an incorrect reference to the column where mineral royalties are listed. They recommended that the reference be adjusted to accurately reflect Column B of the First Schedule.

h) On clause 6(1)(a) to 6(1)(d), CRA pointed out that incorrect column references had been made to the Second Schedule. They proposed corrections such that Section 6(1)(a) should refer to Column B, 6(1)(b) to Column C, 6(1)(c) to Column D, and 6(1)(d) to Column E of the Second Schedule.

i) Additionally, on clause 6(2)(a) to (z), CRA noted inconsistencies in the column referencing for the Third Schedule. They advised that the references be corrected to align appropriately with Columns A to R, beginning with clause 6(2)(a) referring to Column B and adjusting the rest accordingly.

j) Lastly, CRA submitted that the Bill contains detailed formulas on how funds from development partners are to be shared among county governments. They recommended that these formulas be presented as memorandum items rather than as substantive provisions, since they are already specified within the respective financing agreements.

2.3 Submissions by the Council of Governors (CoG)

32. The Council of Governors (CoG) submitted as follows-

a) CoG expressed concerns over the persistent delays and budget cuts associated with the County Governments Additional Allocations framework. They noted that in FY 2024/25 alone, counties lost over Ksh. 30 billion through budget cuts made via National Government Supplementary Budgets I, II, and III, resulting in disrupted project implementation and accumulation of pending bills.

b) The Council urged the Senate to amend the law to ensure that additional allocations to counties are only amended through the County Governments Additional Allocation Act (CGAAA) and not the National Government's Appropriations Act. They emphasized that only amendments to the CGAAA should inform amendments to the Appropriation Bill and not vice versa.

c) The Council of Governors proposed the introduction of a new clause to provide for conditional allocations to counties financed by the proceeds from the Road Maintenance Levy Fund (RMLF). They noted that according to projections from the Kenya Roads Board for FY 2025/26, total RMLF proceeds amount to Ksh. 87,437,139,083, and therefore counties should receive a minimum of Ksh. 13,115,570,862.45 for the next financial year.

d) The Council recommended that Column D of the Second Schedule be amended to allocate Ksh. 250 million to Marsabit County for the County Aggregation and Industrial Parks (CAIP) programme, since the county had already achieved nearly 50% completion using its own resources but was excluded in the FY 2025/26 proposed allocations.

e) Further, the Council called for a full revision of the Second Schedule to align the allocations with a criterion agreed upon by county governments, the Ministry of Investments, Trade and Industry, and the Intergovernmental Budget and Economic Council (IBEC). They noted inconsistencies in the Bill, where some counties at advanced stages of

CAIP implementation had been left out, while others with no progress had been allocated funds.

f) The Council proposed a new sub-clause (6)(1)(e) to provide for conditional allocation for County Governments' Rural and Urban Housing Committees under the Affordable Housing Programme as set out in Column E of the Second Schedule. This follows the Affordable Housing Act, 2024, which mandates that 0.5% of the affordable housing levy collections be allocated to counties. A total of Ksh. 93,418,251 had been approved had been approved by the National Treasury as the share of the levy due to county governments for FY 2025/26 to be allocated equally among the 47 counties.

g) Additionally, that the same has also been provided for in the 2025/26 national government budget. The Senate should therefore include the allocation in the CGAAB for 2025/26 FY.

h) CoG proposed the amendment of clause 6(2)(w) to specify the total allocation of Ksh. 863,165,500 from DANIDA under the Primary Healthcare in Devolved Context (PHC) Programme, which was confirmed by the Danish Embassy. The amount comprises of Kshs.360 million being the DANIDA support towards Operations and Maintenance costs for Level 2 and 3 facilities (40%), Ksh. 352,500,000 being DANIDA support to level 1 facilities and Ksh. 150,665,500 being funds to counties omitted in FY 2023/24 and 2024/25.

i) On clause 6(3)(b), the council proposed its deletion, citing implementation challenges with sections 191A to 191E of the PFM Act. These provisions had already been suspended for FYs 2021/22 to 2024/25, and the Cabinet had approved a proposal to repeal them. An amendment Bill is already before Parliament.

j) Finally, the CoG proposed the insertion of a new sub-clause 6(5) to state that any approved additional allocations shall only be varied in accordance with the CGAAA and counties' approved budget estimates. This measure is intended to prevent the National Treasury from making numerous in-year revisions that adversely affect county budget implementation.

2.4 Submissions by the County Assemblies Forum (CAF)

33. The County Assemblies Forum (CAF) submitted as follows-

a) CAF noted that while programs like CHP, CAIP, KDSP II, and FLLoCA are vital, their implementation has been hindered by sections 191A–191E of the PFM Act, whose bureaucratic requirements have caused delays and disrupted planning, despite being intended to enhance accountability.

b) The Forum further raised concern over the handling of donor-supported grants. They pointed out that in the 2024/25 fiscal year, over Ksh. 38.4 billion in donor grants were reallocated by the National Treasury without stakeholder consultation. They observed that the current Bill fails to include safeguards against such unilateral reallocations.

c) Another critical issue raised was the absence of a well-defined mechanism to resolve disputes related to funding delays, shortfalls, or budget cuts. The Forum emphasized that the spirit of cooperative governance, as envisioned by the Constitution, requires clear provisions for mediation and conflict resolution.

d) The Forum also flagged the low absorption rates of externally funded programs, noting that in FY 2023/24, 14 donor-funded projects had a combined allocation of Ksh. 515.1 billion, of which Ksh. 304.4 billion (59.1%) remained unused. This poor utilization, especially as some projects neared completion, posed risks of unfinished outputs and unfulfilled objectives. Additionally, commitment fee clauses in donor agreements on undrawn funds have led to financial waste and poor value for money.

e) CAF recommended adding a new clause 6(e) to include conditional allocations financed by proceeds from the Road Maintenance Fuel Levy (RMLF) Fund in the Second Schedule. This proposal aims to formally recognize and fund counties' entitlement to RMLF resources.

f) The forum justified the above proposed amendment by stating that including RMLF proceeds under the Bill aligns with the High Court ruling in HCCHR Petition No. E423 of 2024, which upheld the right of counties to receive RMLF allocations. That excluding these allocations would violate article 185(2) and the Fourth Schedule of the Constitution.

2.5 Submissions by the Institute of Certified Accountants of Kenya (ICPAK)

34. The Institute of Certified Accountants of Kenya (ICPAK) submitted as follows-

a) On mineral royalties under clause 5, ICPAK noted that the reported mineral royalties of Ksh.2.93 billion for FY 2023/24 and 2025/26 suggest no growth in mining activity, indicating possible underreporting or inaccurate calculations. To enhance equity and accuracy, they proposed a new clause 5A requiring the Cabinet Secretary for Treasury and Economic Planning to annually publish a detailed report on royalties collected per mineral and county, along with a list of licensed mining operations. The report shall be gazetted and posted on the Ministry of Mining and National Treasury websites before disbursement.

b) Further, ICPAK recommended amending clause 5(1)(b) of the Bill to align with section 183 of the Mining Act, which mandates that 10% of royalties be allocated to communities where mining operations occur. They also proposed updating the First Schedule to reflect this community share.

c) To improve accountability, ICPAK suggested including a requirement for the Cabinet Secretary to publish a technical report annually outlining the computation of unconditional allocations, including audited data on court fines and mineral royalties by source and location.

d) The Institute also proposed a new Fourth Schedule containing an audited financial report on court fines per county to enhance fiscal predictability and provide a basis for allocation.

e) On the implementation of the CAIPs initiative in 18 counties for the FY 2023/24, ICPAK reviewed Phase One implementation and observed inconsistencies in allocations, disbursements, and expenditure. Some counties received less than expected, others spent more than they received, and several did not prioritize the CAIPs despite being funded. These findings raise concerns over budget credibility, transparency, and the financial accountability of project implementers.

f) ICPAK emphasized that there is no public evidence of feasibility or pre-feasibility studies having been conducted for CAIPs. They pointed to delays, underutilization of funds, and inefficiencies as symptoms of this gap and called for such studies before further implementation phases.

g) The Institute raised concerns about funding uncertainties linked to national revenue performance and variation in disbursement timelines, which have affected timely implementation. It urged the Controller of Budget to ensure proper documentation is provided before authorizing fund withdrawals for CAIPs.

h) That the Ministry's Strategic Plan had reduced the number of beneficiary counties in Phase 2 from 40 to 36 without clear justification. Given that no CAIP has been completed to date, the Institute cast doubt on the feasibility of completing the entire program by FY 2025/26 as planned.

i) In addressing these challenges, ICPAK recommended: conducting feasibility studies for future phases; encouraging private sector investment and leadership in CAIPs; customizing industrial park models to suit local contexts; implementing training programs for users; and establishing continuous feedback mechanisms to refine the program.

j) Lastly, the Institute observed that while CAIPs present a great opportunity to enhance industrialization and economic development, current implementation gaps, particularly the absence of feasibility studies and inconsistent execution, risk undermining the initiative. It called for decisive action to address these issues in order to safeguard public funds and achieve Vision 2030 objectives.

CHAPTER THREE

COMMITTEE OBSERVATIONS

35. The Committee having considered the Bill and stakeholders' observations made the following observations-

a) The Bill provides for an allocation of a total of Ksh.2.93 billion as the 20% share of mineral royalties due to specific counties for FY 2025/26. The amount is the cumulative collection of mineral royalties due to the counties since 2016. Whereas in the previous years the mineral royalties were not disbursed to beneficiary counties due to lack of transfer frameworks, and lack of budgetary allocation, the Ksh.2.93 billion in the Bill has been budgeted under the National Treasury- Strategic Interventions Programme.

b) The Doctors' Basic Salary Arrears of Ksh.1.759 billion contained in the Bill is the second and final allocation towards the Payment of Basic Salary Arrears of Ksh. 3.52 billion owed to doctors by counties between FY 2017 and June 2024. The first instalment of Ksh.1.759 billion of the bargain agreement was made through the County Government Additional Allocation Act for FY 2024/25.

c) The allocation of Ksh.3.234 billion for the Community Health Promoters (CHPs) Programme is shared among counties as per the number of CHPs in a county. This implies that the higher the number of CHPs the higher the allocation per county. The number of CHPs across the 47 counties is 107,831; with highest numbers being concentrated in Nairobi, Kakamega, Kilifi, Makueni, Bungoma, Nakuru and Nandi -each above 3,000 CHPs.

d) Although the Bill shares the Ksh.454 million allocated for the Construction of County Headquarters among the five counties entirely, the FY 2025/26 budget estimates have made a provision of Ksh.449 million to be directly applied to the construction works (the conditional transfer to counties) and Ksh.5 million set aside for operational expenses.

e) The allocation for FY 2024/25 of Ksh.523.1 million towards the Construction of the county Headquarters was intended to be the final allocation to the projects. However, due to non-disbursement of the Ksh.338.4 million for FY 2023/24 and the non-budgetary provision of the Ksh.523.1 million in FY 2024/25, the national government commitment is still due to counties. Further review indicates that Ksh.700 million is the actual disbursement to the project by the National Treasury as at the end of June, 2024.

f) While the Bill allocates Ksh.4.5 billion among eighteen counties under the County Aggregation and Industrial Parks (CAIPs) Programme, analysis shows that some of these counties are not part of the prioritized list for onboarding in the FY 2025/26 program, based on project implementation status. A review of the implementation status reveals that eleven counties have received full commitment of Ksh.250 million from the National Government as at the end of FY 2024/25 and are scheduled to complete the projects by August 2025.

g) Further, two counties have a deficit of Ksh.65.6 million each, and another eight counties face a deficit of Ksh.113.4 million each from the National Government. However, these counties, are at an advanced stage of implementation.

h) Further, another set of thirteen counties have made significant progress in the implementation of the projects, even without the national government contribution. While another set of thirteen counties have their projects still at the very initial stages, with some having land acquisition negotiations and others developing the documents for advertisement.

i) While the Bill provides for allocations from the proceeds of loans and grants from development partners totalling Ksh.56.91 billion, Ksh.36.6 billion under various programs has not yet been shared among the counties. These includes-

(vii) IDA (World Bank) Credit for Financing Locally-Led Climate Action (FLLoCA) Program - County Climate Resilience Investment (CCRI) Grant of Ksh.6.2 billion,

(viii) KfW (German Development Bank) Loan for Co-Financing of FLLoCA – County Climate Resilience Investment (CCRI) Grant of Ksh.1.2 billion,

(ix) IDA (World Bank) Loan for the Second Kenya Devolution Support Program (KDSP2) - Service Delivery and Investment Grant (Level 2) of Ksh.13.04 billion,

(x) IDA (World Bank) Loan for the Second Kenya Urban Support Project (KUSP2) - Urban Development Grant (UDG) of Ksh.10.3 billion,

(xi) IDA (World Bank) Loan for the Kenya Urban Support Project (KUSP) - Urban Institutional Grant (UIG) of Ksh.1.3 billion, and

(xii) KfW (German Development Bank) Loan for Kenya Water, Sanitation and Hygiene (KWASH) of Ksh.4.61 billion.

The Bill states that these will be allocated among county governments after meeting certain conditions and based on the criteria set out in the Bill.

j) Clause 6(3)(b) of the Bill indicates that each allocation in the Bill can 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. However, at the time of the publication of the County Governments Additional Allocations (No. 2) Bill, 2025 the Intergovernmental Agreements were not in place. Further that, there was a proposal contained in Public Finance Management (Amendment) Bill, 2025 (National Assembly Bill No.17), seeking to repeal section 191A.

k) The Bill in clause 6(4) indicates that all additional allocations as provided in the Bill should be included in the budget estimates of the National Government and shall be submitted to Parliament for approval. This implies that the disbursement of the funds to the counties in FY 2025/26 will be based on the appropriation through the Annual Appropriation.

l) The National Treasury and Council of Governors, made a request to Parliament for amendment of the Bill to include-
   (i) Conditional allocations from Road Maintenance Levy Fund (RLMF);
   (ii) Conditional allocations from Affordable Housing Levy for County Rural and Urban Affordable Housing Committees Bill pursuant to sections 11(4)(c) and 11(5) of the Affordable Housing Act, 2024.

CHAPTER FOUR

COMMITTEE RECOMMENDATIONS

36. The Committee recommends that the Senate approves Bill with the following amendments-

a) Introduction of New Schedule to the Bill to provide for additional allocations amounting to Ksh.23,637,782,715 to county governments from Road Maintenance Levy Fund (RMLF). This is in regard to allocations for FY 2024/25 amounting to Ksh.10,522,211,853 and 2025/26 amounting to Ksh.13,115,570,862.

b) Amendments to Second Schedule to the Bill to provide an additional Allocations from the Housing Levy Fund to the County Government's Rural and Housing Committees equivalent to Ksh.93,418,251.

c) Clause 6(3)(b)- Amendments suspending implementation of sections 191A to 191E of the Public Finance Management Act on the Intergovernmental Agreements for FY 2025/2026.