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2024**

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**THE COUNTY ALLOCATION OF REVENUE BILL,
2024**

A Bill for

AN ACT of Parliament to provide for the equitable allocation of revenue raised nationally among the county governments for the 2024/2025 financial year; the responsibilities of national and county governments pursuant to such allocation; and for connected purposes.

ENACTED by Parliament of Kenya, as follows—

1. This Act may be cited as the County Allocation of Revenue Act, 2024.

Short title.

2. In this Act —

Interpretation.

“Cabinet Secretary” means the Cabinet Secretary responsible for matters relating to finance; and

“revenue” has the meaning assigned to it under section 2 of the Commission on Revenue Allocation Act.

Cap. 428.

3. The object of this Act is to —

Object.

(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, in accordance with the resolution approved by Parliament under Article 217 of the Constitution for the financial year 2024/25; and

(b) facilitate the transfer of allocations made to counties under this Act from the Consolidated Fund to the respective County Revenue Funds.

4. (1) Each county governments’ equitable share of revenue raised nationally, on the basis of the revenue sharing formula approved by Parliament in accordance with Article 217 of the Constitution in respect of the financial year 2024/25 shall be as set out in Column F of the First Schedule.

Equitable allocation of county governments’ share of revenue.

(2) Each county government’s 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

Cap. 412A.

Cabinet Secretary in accordance with section 17 of the Public Finance Management Act.

5. The budget ceilings for recurrent expenditure for county governments for the financial year 2024/2025 shall be as set out in the Second Schedule.

Budget ceilings for recurrent expenditure.

6. (1) Where a county government has transferred a function to the National Government pursuant to Article 187 of the Constitution, the respective county executive in consultation with the National Government shall determine the cost of the transferred functions.

Funding of transferred functions.

(2) The respective county assembly shall appropriate such monies as may be required for the transferred function in accordance with the determination made under subsection (1) and the allocation shall not be less than the amount appropriated by the county assembly in the preceding financial year.

(3) The monies appropriated under subsection (1) shall be transferred to the National Government.

(4) A National Government entity to which a county government function has been transferred shall submit a quarterly report to the Senate and the respective county assembly on the status of the discharge of the devolved function.

(5) The Auditor-General shall, no later than three months after the end of a financial year, prepare a special audit report on the financial and non-financial performance of an entity to which a county government function has been transferred.

(6) The Auditor-General shall submit the report under subsection (5) to the Senate and the respective county assembly.

7. The Cabinet Secretary shall publish a monthly report on actual transfers of all allocations to county governments.

Report on actual transfers.

8. (1) Each county treasury shall reflect all transfers by the national government to the county governments in its books of accounts.

Books of accounts to reflect National Government transfers.

(2) The estimates of revenue of each county shall

separately reflect the total equitable revenue share under section 4 of this Act transferred to the County Revenue Fund.

(3) A county treasury shall as part of its consolidated quarterly and annual reports required under the Public Finance Management Act report on actual transfers received by the county government from the national government, up to the end of that quarter or 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.

Cap. 412A.

9. 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.

Financial
misconduct.

Cap. 412A

10. For the avoidance of doubt the allocation of the equitable share of revenue to 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.

Applicable revenue-
sharing formula.

FIRST SCHEDULE (s.4(1))

Allocation of Each County Governments' Equitable Share of Revenue Raised Nationally in Financial Year 2024/25

S/No.	County	2023/2024	2024/2025				
			0.5 (Allocation Ratio*)		(Equitable Share** \times 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
1	Baringo	6,647,771,186	1.61	2,547,825,000	1.80	4,650,893,340	7,198,718,340
2	Bomet	6,977,924,070	1.74	2,753,550,000	1.86	4,792,041,989	7,545,591,989
3	Bungoma	11,111,983,608	2.81	4,446,825,000	2.93	7,560,817,619	12,007,642,619
4	Busia	7,475,585,295	1.9	3,006,750,000	1.97	5,069,355,326	8,076,105,326
5	Elgeyo Marakwet	4,801,453,188	1.22	1,930,650,000	1.26	3,256,580,124	5,187,230,124
6	Embu	5,341,810,744	1.36	2,152,200,000	1.40	3,618,229,084	5,770,429,084
7	Garissa	8,248,748,101	2.22	3,513,150,000	2.08	5,371,964,711	8,885,114,711
8	Homa bay	8,128,387,250	2.13	3,370,725,000	2.09	5,396,992,749	8,767,717,749
9	Isiolo	4,899,041,209	1.34	2,120,550,000	1.22	3,151,862,835	5,272,412,835
10	Kajiado	8,300,213,576	2.03	3,212,475,000	2.24	5,771,426,315	8,983,901,315
11	Kakamega	12,912,646,262	3.29	5,206,425,000	3.39	8,741,779,182	13,948,204,182
12	Kericho	6,703,129,925	1.7	2,690,250,000	1.77	4,552,128,971	7,242,378,971
13	Kiambu	12,227,552,449	2.98	4,715,850,000	3.31	8,521,119,097	13,236,969,097
14	Kilifi	12,109,200,498	3.3	5,222,250,000	3.03	7,812,414,853	13,034,664,853
15	Kirinyaga	5,420,217,528	1.34	2,120,550,000	1.45	3,743,075,492	5,863,625,492
16	Kisii	9,258,588,608	2.46	3,892,950,000	2.36	6,086,670,839	9,979,620,839
17	Kisumu	8,361,797,770	2.16	3,418,200,000	2.18	5,607,914,269	9,026,114,269
18	Kitui	10,829,486,936	2.79	4,415,175,000	2.82	7,276,262,849	11,691,437,849
19	Kwale	8,584,103,693	2.46	3,892,950,000	2.06	5,321,547,853	9,214,497,853
20	Laikipia	5,358,246,532	1.32	2,088,900,000	1.44	3,708,679,979	5,797,579,979
21	Lamu	3,237,350,707	0.82	1,297,650,000	0.85	2,200,356,733	3,498,006,733
22	Machakos	9,547,295,309	2.45	3,877,125,000	2.50	6,432,123,215	10,309,248,215
23	Makueni	8,455,460,962	2.34	3,703,050,000	2.09	5,391,037,251	9,094,087,251
24	Mandera	11,633,191,646	3.23	5,111,475,000	2.87	7,398,101,872	12,509,576,872
25	Marsabit	7,560,398,412	2.14	3,386,550,000	1.84	4,734,726,442	8,121,276,442
26	Meru	9,892,625,172	2.54	4,019,550,000	2.59	6,662,295,089	10,681,845,089
27	Migori	8,341,446,108	2.14	3,386,550,000	2.18	5,620,732,376	9,007,282,376

S/No.	County	2024/2025					
		2023/2024	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	
28	Mombasa	7,861,523,820	2.23	3,528,975,000	1.91	4,914,754,622	8,443,729,622
29	Murang'a	7,473,786,703	1.99	3,149,175,000	1.90	4,905,750,507	8,054,925,507
30	Nairobi	20,072,059,115	5.03	7,959,975,000	5.33	13,739,699,459	21,699,674,459
31	Nakuru	13,593,424,693	3.31	5,238,075,000	3.68	9,478,137,449	14,716,212,449
32	Nandi	7,305,294,033	1.69	2,674,425,000	2.04	5,253,161,420	7,927,586,420
33	Narok	9,196,276,899	2.54	4,019,550,000	2.28	5,872,373,420	9,891,923,420
34	Nyamira	5,334,198,486	1.52	2,405,400,000	1.29	3,322,368,919	5,727,768,919
35	Nyandarua	5,905,976,056	1.54	2,437,050,000	1.53	3,935,079,093	6,372,129,093
36	Nyeri	6,485,331,051	1.71	2,706,075,000	1.66	4,287,110,606	6,993,185,606
37	Samburu	5,594,312,489	1.46	2,310,450,000	1.45	3,725,147,150	6,035,597,150
38	Siaya	7,263,019,462	1.83	2,895,975,000	1.92	4,953,884,124	7,849,859,124
39	Taita taveta	5,040,427,430	1.34	2,120,550,000	1.29	3,312,248,954	5,432,798,954
40	Tana River	6,790,702,542	1.85	2,927,625,000	1.70	4,382,194,987	7,309,819,987
41	Tharaka Nithi	4,378,234,821	1.24	1,962,300,000	1.06	2,740,585,586	4,702,885,586
42	Trans Nzoia	7,499,822,440	1.82	2,880,150,000	2.03	5,240,461,856	8,120,611,856
43	Turkana	13,143,946,933	3.33	5,269,725,000	3.47	8,932,355,113	14,202,080,113
44	Uasin Gishu	8,426,072,635	2	3,165,000,000	2.32	5,968,053,093	9,133,053,093
45	Vihiga	5,267,026,885	1.47	2,326,275,000	1.29	3,335,929,209	5,662,204,209
46	Wajir	9,853,656,422	2.7	4,272,750,000	2.46	6,330,864,289	10,603,614,289
47	West Pokot	6,573,866,403	1.58	2,500,350,000	1.79	4,620,912,266	7,121,262,266
	Total	385,424,616,067	100	158,250,000,000	100	257,702,200,000	415,952,200,000

*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. 158.25 billion.

**This is the equitable share of revenue raised nationally allocated to county governments in FY2024/25 amounting to KSh. 415.952 billion. Once you net out one half of the amount of Allocation Ratio or KSh. 158.25 billion from the Equitable share of KSh. 415.952 billion, the resulting balance of KSh. 257.70 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 Indexi+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)).

SECOND SCHEDULE

(s. 5)

County Government Budget Ceilings on Recurrent Expenditure in Financial Year 2024/2025 (Figures in Kenya Shillings)

County Government Budget Ceilings on Recurrent Expenditure in Financial Year 2024/2025 (Figures in Kenya Shillings)					
S/No.	County	County Assembly Ceilings		County Executive Ceilings	
		2023/24	2024/25	2023/24	2024/25
1	Baringo	828,250,102	853,134,270	628,507,168	811,330,131
2	Bomet	826,903,256	748,458,555	525,981,274	675,271,762
3	Bungoma	1,030,966,304	1,040,550,433	593,145,551	794,269,934
4	Busia	890,557,352	891,698,127	565,353,297	740,954,156
5	Elgeyo-Marakwet	688,567,522	701,876,015	540,143,817	682,571,452
6	Embu	655,164,072	671,347,072	470,665,205	599,617,223
7	Garissa	928,822,377	938,479,100	517,163,240	693,214,915
8	Homa-Bay	951,617,005	967,160,105	612,652,603	807,946,650
9	Isiolo	539,314,722	506,240,773	384,717,582	483,811,987
10	Kajiado	836,365,718	825,532,961	543,625,285	705,785,753
11	Kakamega	1,400,821,103	1,334,177,483	702,976,417	954,360,037
12	Kericho	828,466,755	829,314,633	574,171,331	742,119,652
13	Kiambu	1,352,347,776	1,282,416,186	689,615,145	937,949,817
14	Kilifi	942,241,093	901,685,828	552,882,777	732,390,410
15	Kirinyaga	673,319,674	685,609,542	463,453,685	591,357,406
16	Kisii	1,112,890,743	1,114,637,995	635,010,868	842,938,395
17	Kisumu	827,121,358	838,619,656	548,429,020	720,990,566
18	Kitui	1,042,409,957	1,062,587,992	787,239,883	1,034,274,047
19	Kwale	667,712,409	685,501,295	436,816,651	561,039,626
20	Laikipia	545,809,049	548,716,069	429,430,142	543,968,003
21	Lamu	493,148,394	507,472,589	349,978,277	439,219,777
22	Machakos	1,021,331,660	1,028,153,264	618,887,863	817,384,477
23	Makueni	882,052,960	870,638,166	597,330,868	772,648,310
24	Mandera	983,911,204	955,086,307	537,192,934	709,410,958
25	Marsabit	714,092,325	765,337,855	477,791,217	620,635,223
26	Meru	1,105,946,626	1,110,234,818	802,472,137	1,046,885,894
27	Migori	1,003,508,709	1,006,160,215	609,089,597	803,308,177

County Government Budget Ceilings on Recurrent Expenditure in Financial Year 2024/2025 (Figures in Kenya Shillings)					
S/No.	County	County Assembly Ceilings		County Executive Ceilings	
		2023/24	2024/25	2023/24	2024/25
28	Mombasa	837,169,783	773,735,933	414,726,825	550,949,872
29	Murang'a	830,709,033	841,956,442	633,050,405	822,212,796
30	Nairobi City	1,924,120,608	1,685,111,836	640,180,465	924,648,890
31	Nakuru	1,160,413,432	1,189,221,758	703,777,688	949,692,125
32	Nandi	796,999,461	807,468,047	647,212,948	829,614,196
33	Narok	911,202,495	912,668,217	545,667,285	715,936,269
34	Nyamira	746,578,493	709,762,663	458,194,685	584,106,355
35	Nyandarua	770,438,804	783,592,426	533,107,285	683,959,845
36	Nyeri	776,126,610	784,822,168	605,347,631	779,895,747
37	Samburu	593,254,286	611,949,367	482,789,720	611,274,116
38	Siaya	775,678,151	784,422,102	540,322,777	701,924,604
39	Taita-Taveta	681,840,554	706,520,871	439,488,905	567,140,475
40	Tana-River	677,653,973	623,243,957	436,641,663	558,967,389
41	Tharaka-Nithi	517,563,626	545,776,919	445,463,668	561,403,884
42	Trans-Nzoia	685,259,476	700,394,742	427,107,865	557,198,937
43	Turkana	966,834,859	895,679,650	526,961,505	704,903,707
44	Uasin-Gishu	796,524,510	805,657,536	474,407,171	623,694,943
45	Vihiga	714,071,318	724,667,651	487,678,963	628,658,777
46	Wajir	992,922,326	918,609,870	599,569,960	791,932,190
47	West Pokot	683,634,469	720,096,706	589,135,145	743,044,332
	Total	40,612,656,492	40,196,186,165	25,825,556,393	33,756,814,187

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 2024/25.

Section 1 of the Bill provides for the short title while **Section 2** defines the various terms used in the Bill.

Section 3 of the Bill contains the objects and the purpose of the Bill which is to provide for the allocation of revenue raised nationally for the financial year 2024/25 as well as the transfer of the county allocations from the Consolidated Fund to the respective County Revenue Fund.

Section 4 of the Bill deals with the allocation of equitable share of revenue raised nationally to each county government.

Section 5 of the Bill provides for budget ceilings for recurrent expenditure for county governments in accordance with section 107(2)(a) of the Public Finance Management Act No. Cap 412A.

Section 6 of the Bill provides for the modalities of funding of transferred functions.

Section 7 of the Bill provides for the publishing of monthly reports by the national government, on actual transfers of all allocations to county governments.

Section 8 of the Bill provides for the respective county treasury to reflect the total allocations from the national government separately in the County Finance Bill and reflect all transfers in the books of accounts.

Section 9 of the Bill provides for the actions constituting financial misconduct.

Section 10 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 25th April, 2024.

ALI IBRAHIM ROBA,
*Chairperson,
Committee on Finance and Budget.*

APPENDIX**EXPLANATORY MEMORANDUM TO THE COUNTY
ALLOCATION OF REVENUE BILL, 2024****Background**

1. This memorandum is prepared in fulfilment of the requirements of Article 218(2) of the Constitution and section 191 of the Public Finance Management Act, Cap. 412A, which require that the County Allocation of Revenue Bill tabled in Parliament be accompanied by a memorandum that:

- (a) explains the revenue allocation as proposed by the Bill;
- (b) evaluates the Bill against the criteria set out in Article 203(1) of the Constitution;
- (c) provides a summary of significant deviations from the recommendations of the Commission on Revenue Allocation (CRA) together with the explanation for such deviations;
- (d) explains the extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council (IBEC); and
- (e) explains any assumptions and formulae used in arriving at the respective shares under the County Allocation of Revenue Bill, 2022.

2. The memorandum is also prepared based on the approved Third Basis for Revenue Allocation among county governments pursuant to Article 217 of the Constitution.

Explanation of Revenue Allocation as Proposed by the Bill

3. The County Allocation of Revenue Bill, 2022 proposes to allocate to County Governments Ksh.370 billion in the financial year 2022/23 as equitable share of revenue raised nationally.

4. The county governments' equitable share of revenue was allocated among the county governments on the basis of the third revenue allocation criteria approved by Parliament in accordance with Article 217 of the Constitution.

**Evaluation of the Bill against Article 203(1) of the Constitution
Developmental needs of the county governments and their ability to
perform the functions assigned to them:**

5. 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.

6. The County Governments' equitable revenue share for FY 2024/25 is Ksh. 412.9522 billion and 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 (OSR) to supplement the equitable share allocation to ensure improved service delivery regarding functions assigned and transferred to them as contemplated under Article 203(1) (f) of the Constitution.

Economic Disparities within and among counties and the need to remedy them:

7. The horizontal distribution of County Governments' equitable revenue share allocation of Ksh. Ksh. 412.9522 billion for FY 2024/25 shall be based on the Third Basis Formula pursuant to provisions of Article 217. The Third Basis formula which is applicable from FY 2020/21 to FY 2024/25 has taken into account the following parameters; (i) Population (18%); (ii) Health Index (17%); (iii) Agriculture Index (10%); (iii) Urban Index (5%); (iv) Poverty Index (14%); (v) Land Area Index (8%); (vi) Roads Index (8%), and; (vii) Basic Share index (20%). The parameters take into account disparities among counties and aims at equitable distribution of resources across counties.

8. Further, it should be noted that Ksh. 7,852,814,725 billion has also been set aside for the Equalization Fund in 2024/25 which translates to 0.5 per cent of the last audited revenue accounts of governments, as approved by the National Assembly. This Fund is used to finance development programmes that aim at reducing regional disparities among beneficiary counties.

Stability and Predictability of County Revenue Allocations:

9. The county governments' equitable share of revenue raised nationally has been protected from cuts that may be occasioned by shortfall in revenue raised nationally. According to clause 5 of the DoRB 2024, any shortfall in revenue raised nationally is to be borne by the National Government.

Evaluation of Deviations from the recommendations of the Commission on Revenue Allocation

10. The Division of Revenue Bill, 2024 proposes to allocate county governments an equitable share of Ksh.391.1 billion from the shareable revenue raised nationally. The CRA also recommends County Governments' equitable share of revenue of Ksh.398.14 billion as an

unconditional allocation to be shared among county governments on the Third basis of the formula for sharing revenue approved by Parliament under Article 217 of the Constitution.

11. The National Treasury's Recommendation is premised on the following seven criteria provided for in Article 203(1) of the Constitution; i.) National interest, ii.) Provisions in respect of the public debt and other national obligations; iii.) The needs of the national government, determined by objective criteria; iv.) The need to ensure that county governments are able to perform the functions allocated to them; v.) The fiscal capacity and efficiency of county governments; vi.) The desirability of stable and predictable allocations of revenue; and vii.) The need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria.

12. CRA Recommendation is based on the following—

- (a) The national government, as a matter of policy, has commenced implementation of the following policies that require county governments to set aside an estimated Ksh.17.88 billion-
 - (i) Aggregation and Industrial Parks (CAIPs) that is being implemented jointly by the National and County governments on a 50:50 matching basis. Each county is required to set aside Ksh. 250 million. This translates to resource requirement of Ksh.11.75 billion by county governments;
 - (ii) The Community Health Promoters (CHPs) is also being implemented on a matching basis of 50:50 between the two levels of government. With each health promoter required for every 50 households, county government require an additional Ksh. 3.2 billion for stipend; and
 - (iii) The Housing Levy deductions requires government to contribute one and half percent of employee remuneration to the Fund. Given the aggregate county government remuneration of Ksh. 195 billion, this translates to Ksh. 2.93 billion.
- (b) The Commission in its FY 2024/25 recommendation on the sharing of revenue between the national and county governments recommended that Ksh. 398.14 billion be allocated to county governments as equitable share to enable county governments adequately fund their functions and offer comparable services.

13. However, during consideration of the 2024 Budget Policy Statement approved by the House, the Senate made some key financial recommendations with regard to the division of revenue. Notably, the Senate recommended an allocation of Kshs. 415.9522 billion as equitable share to county governments for FY 2024/25 based on the following -

- (a) Adjustment of the FY 2023/2024 revenue allocation by a growth factor of 6.4%.
- (b) Further adjustment by repurposing of the scrapped MES programme allocation amounting to Kshs. 5.86 billion.

14. These adjustments take into account non-discretionary financial obligations relating to housing levy deductions, enhanced contributions to the National Social Security Fund (NSSF), certain contributions to the Social Health Insurance Fund (SHIF), wage drift as well as the need for counties to provide matching allocations for the County Aggregation and Industrial Parks and the Community Health Promoters programme. Further, resources for the transferred obligation to meet the cost of medical equipment programme.

Conclusion

15. The proposals contained in the Bill take into account the fiscal framework set out in the BPS for 2024/25 and are intended to ensure fiscal sustainability specifically against the backdrop of escalating expenditure pressure on the fiscal framework occasioned by increase in Consolidated Fund Services (CFS) and the persistent under performance of the ordinary revenue.

16. It is expected with successful implementation of the Third Basis formula from FY 2021/22 to 2024/25, county governments will now be able to plan, budget and spend in accordance with areas of need as envisaged in the formula as well as achieve their developmental needs.