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COMMISSION ON REVENUE ALLOCATION
Promoting an Equitable Society

**RECOMMENDATION CONCERNING
THE FOURTH BASIS
FOR REVENUE SHARING
AMONG COUNTY GOVERNMENTS
FOR
FINANCIAL YEARS 2025/26 - 2029/30**

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COMMISSION ON REVENUE ALLOCATION

OUR REF: CRA/EA/HF/02/Vol.1/(21)

DATE: 31st December 2024

Clerk, Senate
Clerk, National Assembly
Cabinet Secretary, The National Treasury and Economic Planning
Chairperson, Council of Governors
CEO, County Assemblies Forum

Dear all,

RECOMMENDATION ON THE FOURTH BASIS FOR REVENUE SHARING AMONG COUNTY GOVERNMENTS FOR THE FINANCIAL YEARS 2025/26 TO 2029/30

Pursuant to Article 216 (1)(b) of *The Constitution of Kenya 2010*, the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for the equitable sharing of revenue raised nationally among the county governments. Further, Article 217 (1) mandates the Senate to, once every five years, by resolution, determine the basis for allocating among the counties the share of national revenue that is annually allocated to the county level of government. Article 217(2) requires that in determining the basis for revenue sharing, the Senate shall consider recommendations from the Commission.

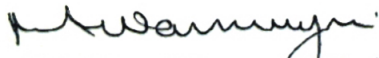
The Commission hereby submits the recommendation on *The Fourth Basis for Revenue Sharing among County Governments* for financial years 2025/26 to 2029/30. The Fourth Basis has been prepared in accordance with the criteria provided in Article 203(1). Further, the Commission undertook a comprehensive review of the Third Basis and held consultations with various stakeholders.

The framework for the Fourth Basis is based on the following two objectives: to share revenues equitably to facilitate service delivery and to address economic

disparities to promote development among county governments. In addressing the first objective the Fourth Basis has considered three parameters, namely: population; basic share and geographical size of the county. The second objective is addressed through the use of poverty and economic activity parameters.

To address the effects on revenue sharing among county governments that are occasioned by the change in the approach, parameters and data, the Commission recommendation on the Fourth Basis has an inbuilt cushioning and stabilisation factor. This factor ensures that no county receives an allocation less than the amount received in the financial year 2024/25.

Yours sincerely,



CPA Mary Wanyonyi Chebukati

COMMISSION CHAIRPERSON

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The Commission acknowledges the critique provided by the following institutions on the *Third Basis for Revenue Sharing*: county governments through Regional Economic Blocs, County Assemblies Forum, *Bajeti Hub* (formerly the International Budget Partnership); Supreme Council of Kenya Muslims-Meru Branch; *Maendeleo Ya Wanawake*- Meru Branch and World Vision. The proposals from these institutions provided input to the preparation of the *Fourth Recommendation on The Basis for Revenue Sharing Among County Governments*.

The Commission appreciates the involvement of The Senate, National Assembly, the Council of Governors, through the process. Further, the Commission appreciates the support of the Kenya National Bureau of Statistics, County Governments, Regional Economic Blocks, Ministries, State Departments, and Government Agencies that availed data, information and technical input during sectoral discussions. The Commission particularly appreciates the insights of the National Treasury and Economic Planning and Parliamentary Budget Office for their invaluable contribution.

Since it is not possible to thank everyone in person, the Commission appreciates all the invaluable inputs provided by all stakeholders throughout the process of developing this recommendation.



CPA, Roble Nuno

Ag. COMMISSION SECRETARY/CEO

ACRONYMS AND ABBREVIATIONS

CRA	Commission on Revenue Allocation
FAO	Food and Agriculture Organisation
GCP	Gross County Product
KIHBS	Kenya Integrated Household Budget Survey
KNBS	Kenya National Bureau of Statistics
KPHC	Kenya Population and Housing Census
OSR	Own Source Revenue
PFMA	Public Finance Management Act
RAI	Rural Access Index
WHO	World Health Organisation

EXECUTIVE SUMMARY

The Commission on Revenue Allocation has developed a recommendation on the Fourth Basis for revenue sharing among county governments. This is in line with the Commission's principal mandate in Article 216(1) of the Constitution of Kenya, 2010. The Fourth Basis is expected to share revenues among county governments for five financial years, 2025/26 to 2029/30.

The recommendation was developed following extensive consultations with stakeholders from the national government, county governments, Parliament and non-state actors. The recommendation also builds on lessons learnt from a comprehensive review of the implementation of the Third Basis.

The stakeholders concern on the Third Basis were on: implementation of the Basis that provided for inclusion of the Second Basis in the Third Basis; multiple use of population-based measures; the need to include additional measures in health and an incentive parameter for economic optimization. The stakeholders also proposed the inclusion of other devolved functions to include: water and sanitation; blue economy; environment performance index and; fiscal effort and prudence.

In developing the Fourth Basis framework, the Commission has shifted from the functional approach adopted in the Third Basis to the use of expenditure proxies. The shift was informed by availability, credibility and statistical soundness of data, and the need to ensure that the revenue sharing remains stable and predictable.

The Fourth Basis framework is based on two objectives, namely; to share revenues equitably to facilitate service delivery and to address economic disparities to promote development. To facilitate service delivery, the recommendation provides for a minimum allocation that is shared equally among county governments, and uses population, and geographical size of each county as the transfer parameters. To address economic disparities to promote development, the income distance and poverty parameters are used.

The weights assigned to each of the parameters is based on information on the objectives of Kenya's fiscal transfer system and county aggregate priorities. The framework for the Fourth Basis recommendation for revenue sharing among county governments is summarised in Table O-1.



Table 0-1: Summary of the Framework for the Fourth Basis

Objective	Parameter	Assigned Weight %
1. To share revenues equitably to facilitate service delivery	Population	42
	Equal Share	22
	Geographical size	9
2. To share revenue equitably to address economic disparities and promote development	Poverty	14
	Income Distance	13
Total		100

Source: CRA, 2024

To address the effects on revenue sharing among county governments that are occasioned by the change in the approach, parameters and data, the Commission recommendation on the Fourth Basis has an inbuilt stabilisation factor. This factor ensures that no county receives an allocation less than the amount received in the financial year 2024/25.

1.0. INTRODUCTION

1.1. Legal Framework

The Commission on Revenue Allocation (the Commission) is principally mandated by Article 216(1)(b) to make recommendations on the basis for equitable sharing of revenue raised nationally among county governments. In fulfillment of this mandate, the Commission has developed and submitted to Parliament three recommendations since inception of devolution in 2013. This is the fourth recommendation that the Commission has prepared. Once determined by Parliament, the Fourth Basis will be used to share revenue among county governments for five financial years from 2025/26 to 2029/30.

1.2. Kenya's Intergovernmental Fiscal Transfer System

The Constitution of Kenya, 2010 in Article 6 establishes a two-tier government; the national and 47 county governments. The two levels of government are distinct and inter-dependent and are therefore meant to conduct their relations on the basis of consultation and cooperation.

The Fourth Schedule of the Constitution assigns functions to each level of government. The National Government has largely been assigned the roles of policy formulation; legislation and setting of norms and standards; courts and provision of services on functions such as internal security, defence, foreign diplomacy, immigration and citizenship; basic and higher education; national elections; and capacity building and technical assistance to the county governments. The county governments' roles are policy implementation and provision of services within their transferred functions. They can also formulate policies and make laws necessary for effective performance of functions and exercise of their powers. The county government laws and policies are required to be consistent with prevailing national policies and legislations.

Revenue raising powers are assigned to the two levels of government by Article 209. The national government is mandated to impose income tax, value added tax, excise tax, and custom duties, and other duties on imports and exports of goods. County governments are mandated to collect property and entertainment taxes. In addition both levels of governments may impose charges for the services rendered. The assigned taxes to county governments are inadequate to finance all the devolved functions.



Therefore, the Constitution in Article 202 provides for the sharing of nationally raised revenue¹ between the National and County governments.

Two processes are vital in sharing of nationally raised revenue: sharing of revenue between the national and county governments through the Division of Revenue Acts and the sharing of revenues among county governments through the County Allocation of Revenue Acts (CARA). The CARA is based on a revenue sharing basis determined by Parliament once every five years, in line with Article 217. This notwithstanding, Article 217 (8) provides that the Senate by resolution supported by at least two thirds of its members can amend the resolution at any time after it has been approved.

Article 203(1) stipulates the criteria to be taken into account in determining the equitable shares as provided under Article 202 and in all national legislation concerning county government. These include:

- i. the need to ensure that county governments are able to perform functions allocated to them;*
- ii. the fiscal capacity and efficiency of county governments;*
- iii. developmental and other needs of counties;*
- iv. economic disparities within and among counties and the need to remedy them;*
- v. the need for affirmative action in respect of disadvantaged areas and groups;*
- vi. the need for economic optimisation of each county and to provide incentives for each county to optimise its capacity to raise revenue;*
- vii. the desirability of stable and predictable allocations of revenue*

¹ *all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues referred to under Articles 206(1)(a)(b) and 209 (4) of the Constitution*

This recommendation has been informed by the criteria in Article 203 (1), review of the previous bases, analysis of utilisation of funds by county governments and proposals from stakeholders. The recommendation is structured as follows: section two presents the allocation of revenue among county governments based on the previous bases; section three presents the review of the Third Basis; section four presents the recommendation on the Fourth Basis and section five the application of Article 203.



2.0. EQUITABLE SHARE TRANSFERS TO COUNTY GOVERNMENTS

2.1. Introduction

Since the advent of devolution in 2013, Parliament has approved three revenue sharing bases, which have been used for 12 financial years (2013/14 to 2024/25) and the last quarter of 2012/13 to share revenue among county governments. In total, these bases have been used to share Ksh. 3,741,060 million.

As provided in Section (16) of the Sixth Schedule of the Constitution, the first and the second revenue sharing bases were transitional and meant to share revenue among county governments for three years each. The Third Basis and subsequent bases are determined by Parliament every five years in line with the provisions in Article 217.

2.2. The First Basis for Revenue Sharing

The First Basis for sharing revenue among county governments was approved by the National Assembly in November 2012. This basis was used to share Ksh. 966,519.2 million for the fourth quarter of financial year 2012/13 and financial years 2013/14 to 2016/17. The basis sought to achieve two objectives based on Article 203 (1):

- a) To provide service delivery; and
- b) To redistribute resources to address economic disparities and development needs of county governments.

To address the above objectives, the basis used five parameters, namely; population, poverty, land area, basic equal share and fiscal index to share revenues among the 47 county governments. The service delivery objective was addressed by four parameters, namely; population, equal share, land area, and fiscal responsibility. The poverty parameter was used as a measure to address the economic disparities and development needs of county governments. Table 2-1 summarizes the First Basis.

Table 2-1: First Revenue Sharing Basis

Objective	Parameter	Weights (%)
Service Delivery	Population	45
	Basic Equal Share	25
	Land Area	8
	Fiscal Responsibility	2
Redistribution	Poverty	20
Total		100

Source: CRA, 2012

Based on the criteria for the First Basis, Ksh. 966,519.2 million was shared among county governments for financial years 2013/14 to 2016/17 and the final quarter of 2012/13 as shown in Table 2.2.

Table 2-2: County Allocations based on the First Basis (Ksh. Millions)

	County	2012/13	2013/14	2014/15	2015/16	2016/17	Total
1	Baringo	167	3,248	3,875	4,441	4,791	16,522
2	Bomet	177	3,443	4,123	4,725	5,079	17,547
3	Bungoma	289	6,181	6,698	7,676	8,282	29,125
4	Busia	205	3,412	4,747	5,440	5,870	19,675
5	Elgevo Marakwet	123	2,392	2,854	3,270	3,529	12,168
6	Embu	145	2,807	3,349	3,838	4,141	14,280
7	Garissa	217	4,221	5,036	5,772	6,228	21,475
8	Homa Bay	212	4,121	4,917	5,635	6,080	20,966
9	Isiolo	115	2,236	2,667	3,057	3,298	11,373
10	Kajiado	166	3,227	3,850	4,413	4,761	16,417
11	Kakamega	335	6,516	7,773	8,908	9,612	33,144
12	Kericho	170	3,295	3,915	4,487	4,861	16,728
13	Kiambu	281	5,459	6,512	7,464	8,053	27,768
14	Kilifi	280	5,443	6,492	7,441	8,029	27,685
15	Kirinyanga	133	2,588	3,087	3,538	3,818	13,164
16	Kisii	267	5,188	6,190	7,094	7,654	26,393
17	Kisumu	214	4,155	4,957	5,681	6,130	21,138
18	Kitui	274	5,315	6,340	7,267	7,841	27,038
19	Kwale	193	3,749	4,473	5,126	5,531	19,071
20	Laikipia	130	2,523	3,010	3,450	3,722	12,834
21	Lamu	77	1,501	1,790	2,052	2,214	7,634
22	Machakos	255	4,951	5,906	6,769	7,303	25,183
23	Makueni	225	4,366	5,209	5,970	6,441	22,211
24	Mandera	337	6,550	7,814	8,956	9,663	33,320
25	Marsabit	195	3,796	4,528	5,189	5,599	19,308
26	Meru	245	4,749	5,666	6,494	7,007	24,160
27	Migori	220	4,269	5,093	5,837	6,298	21,717
28	Mombasa	196	3,802	4,535	5,198	5,609	19,339
29	Muranga	202	3,917	4,673	5,356	5,779	19,927
30	Nairobi	489	9,506	11,340	12,997	14,024	48,356
31	Nakuru	306	5,936	7,082	8,116	8,758	30,198
32	Nandi	179	3,478	4,149	4,755	5,131	17,692
33	Narok	199	3,868	4,614	5,288	5,706	19,674
34	Nyamira	156	3,039	3,625	4,155	4,483	15,458
35	Nyandarua	162	3,150	3,758	4,307	4,647	16,025
36	Nyeri	168	3,254	3,882	4,449	4,801	16,554
37	Samburu	134	2,598	3,099	3,552	3,833	13,216
38	Siaya	188	3,654	4,358	4,995	5,390	18,585
39	Taita	125	2,421	2,887	3,310	3,571	12,313
40	Tana River	150	2,914	3,476	3,985	4,299	14,824
41	Tharaka Nithi	118	2,295	2,737	3,138	3,385	11,673
42	Trans Nzoia	192	3,730	4,450	5,100	5,503	18,974
43	Turkana	395	7,664	9,143	10,479	11,307	38,988
44	Uasin Gishu	196	3,797	4,530	5,191	5,601	19,314
45	Vihiga	146	2,832	3,379	3,871	4,177	14,405
46	Wajir	272	5,290	6,311	7,233	7,804	26,910
47	West Pokot	162	3,155	3,763	4,314	4,655	16,049
	Total	9,784	190,000	226,661	259,775	280,300	966,519

Source of Data: CARA, Various

The First Basis was reviewed after three years. A number of proposals were made by stakeholders to include: the need to incorporate a measure of fiscal effort to incentivise revenue collection by county governments, use of the latest poverty data (the 2009 rather than the 2005/06 data), uncapping of the land area measure, and increase of the basic share allocation to cushion counties that were receiving the lowest allocations. Some of these proposals were incorporated in the development of the Second Basis.

2.3. The Second Basis for Revenue Sharing

The Second Basis for revenue sharing, which was approved by Parliament in November 2016 was meant to achieve two objectives drawn from the criteria in Article 203 (1). These were, to:

- a) Provide adequate funding to enable county governments to undertake functions assigned to them;
- b) Correct for economic disparities and minimize the development gap; and
- c) Stimulate economic optimisation and incentivise counties to optimise capacity to raise revenue.

The Second Basis used six parameters, namely; population, poverty, basic equal share, land area, fiscal effort and development factor. To ensure counties were allocated adequate funds to perform assigned functions, the Commission used population, basic equal share, and land area parameters. To address economic disparities and development needs among counties, poverty and development factor parameters were used. To incentivize counties to optimize capacity to raise revenue, a parameter on fiscal effort was used. Table 2-3 summarises the Second Basis for revenue sharing among counties.

Table 2-3: Second Revenue Sharing Basis

Objective	Parameter	Weights (%)
1. Provide adequate funds to perform assigned functions	Population	45
	Basic Equal Share	26
	Land Area	8
2. Correct economic disparities and minimise development gap	Poverty	18
	Development Factor	1
3. Incentivise counties to optimise capacity to collect more revenue	Fiscal Effort	2
TOTAL		100

Source: CRA, 2016

The Second Basis shared a total of Ksh. 932,500 million for financial years 2017/18 to 2019/20 among the county governments. This is shown in Table 2-4.

Table 2-4: Allocations to Counties based on the Second Basis- Ksh. Million

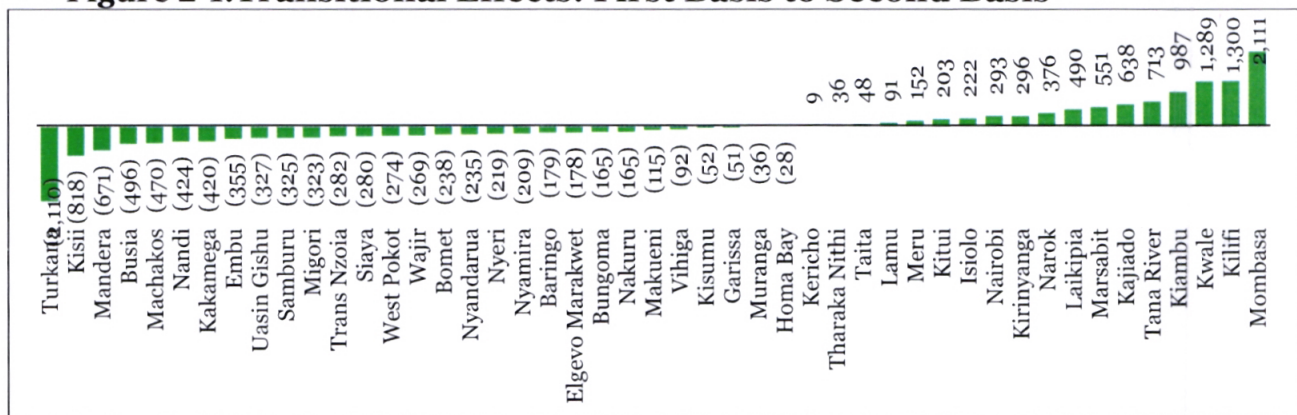
	County	2017/18	2018/19	2019/20	Total
1	Baringo	4,983	5,087	5,096	15,165
2	Bomet	5,255	5,935	5,507	16,697
3	Bungoma	8,758	8,949	8,894	26,601
4	Busia	5,829	5,966	6,014	17,808
5	Elgevo Marakwet	3,624	3,768	3,861	11,253
6	Embu	4,107	4,459	4,304	12,870
7	Garissa	6,659	6,939	7,026	20,625
8	Homa Bay	6,523	6,688	6,741	19,953
9	Isiolo	3,775	3,925	4,241	11,941
10	Kajiado	5,768	5,997	6,425	18,191
11	Kakamega	9,936	10,331	10,413	30,679
12	Kericho	5,225	5,715	5,381	16,320
13	Kiambu	9,664	9,357	9,432	28,453
14	Kilifi	9,951	10,833	10,445	31,228
15	Kirinyanga	4,409	4,113	4,241	12,764
16	Kisii	7,429	7,693	7,786	22,908
17	Kisumu	6,553	6,908	6,836	20,298
18	Kitui	8,652	8,729	8,830	26,212
19	Kwale	7,248	7,536	7,786	22,570
20	Laikipia	4,500	4,113	4,178	12,791
21	Lamu	2,476	3,548	2,595	8,620
22	Machakos	7,399	8,321	7,754	23,474
23	Makueni	6,825	7,128	7,406	21,359
24	Mandera	9,740	10,142	10,223	30,105
25	Marsabit	6,584	7,002	6,773	20,359
26	Meru	7,701	8,007	8,039	23,747
27	Migori	6,463	6,720	6,773	19,956
28	Mombasa	8,154	8,227	7,058	23,439
29	Muranga	6,191	6,249	6,298	18,738
30	Nairobi	15,402	15,794	15,920	47,116
31	Nakuru	9,271	9,451	10,476	29,199
32	Nandi	5,104	5,369	5,349	15,822
33	Narok	6,523	6,374	8,039	20,937
34	Nyamira	4,621	4,773	4,811	14,204
35	Nyandarua	4,772	4,930	4,874	14,576
36	Nyeri	4,953	5,024	5,412	15,389
37	Samburu	3,805	4,427	4,621	12,854
38	Siaya	5,527	6,029	5,792	17,347
39	Taita	3,896	4,051	4,241	12,188
40	Tana River	5,345	5,558	5,855	16,758
41	Tharaka Nithi	3,684	3,642	3,925	11,251
42	Trans Nzoia	5,647	5,621	5,760	17,028
43	Turkana	10,072	10,770	10,539	31,381
44	Uasin Gishu	5,708	5,935	6,330	17,972
45	Vihiga	4,409	4,459	4,653	13,521
46	Wajir	8,139	8,478	8,546	25,162
47	West Pokot	4,741	4,930	5,001	14,672
	GRAND TOTAL	302,000	314,000	316,500	932,500

Source of Data: CARA, Various

2.4. Transition Effects of the First and Second Revenue Sharing Bases

Although the First and the Second revenue sharing bases looked similar in terms of the parameters used, the change in the data used in some of the parameters occasioned substantial changes in revenue allocations across county governments. The changes resulted from changing data on poverty from 2005/06 to 2009; increase in the weight of the basic equal share parameter, uncapping of the land area parameter in the Second basis, and change in the measure of the fiscal effort parameter to consider growth in county own source revenue per capita in the Second Basis. The overall transition effect arising from these data changes is shown in Figure 2-1.

Figure 2-1: Transitional Effects: First Basis to Second Basis



Source of data: CRA

From Figure 2-1, transition from the First Basis to the Second Basis occasioned 18 counties to gain equitable shares ranging from Ksh. 9 million for Kericho county to Ksh. 2,111 million for Mombasa County. These changes also led to a decline in equitable shares allocations to 29 counties ranging from Ksh.28 million for Homa Bay County to Ksh. 2,110 million for Turkana County.

2.5. The Third Basis for Revenue Sharing

The Third Basis was approved by the Parliament in September, 2020 and used to share revenues for the financial years 2020/21 to 2024/25. The Basis used a sectoral approach to revenue sharing. This was guided by key functions assigned to County Governments in the Fourth Schedule of the Constitution and the principle in Article 187(2) that *finance should follow functions*. The sector-based approach was aimed at ensuring that the financing of County Governments is aligned to service delivery and that counties are adequately compensated for the services they offer to promote balanced development.

Specifically, the Third Basis sought to achieve two objectives:

- a) To enhance equitable service delivery and;
- b) To promote balanced development

To enhance equitable service delivery among counties, the Third Basis used population, health, agriculture and basic share parameters. To promote balanced development across the counties, the framework used parameters on poverty, land area, urban and roads.

To ensure that the equitable shares among county governments remained stable and predictable in line with the provision of Article 203 (1)(j), Parliament approved that the Basis be implemented as follows:

- i. The equitable share among county governments for the financial year 2020/21 remained the same as that for the financial year 2019/20. This was informed by the fact that the equitable share allocation for the two financial years remained constant due to non-performance of nationally raised revenues;
- ii. Equitable share among county governments for the financial year 2021/22 to 2024/25 was based on;
 - a) The allocation ratio, based on 50 percent of financial year 2019/20 allocation to county government. In effect, the Second Basis for revenue sharing was used to share Ksh. 158,250 million among counties,
 - b) The balance of the annual equitable share, (net of Ksh. 158,250 million) was shared based on the formula component of the Third Basis for the financial years 2020/21 to 2024/25. The formula component is summarised in Table 2-5.

Table 2-5: Summary of the Third Basis

No	Indicator of Expenditure Need	Assigned Weight (%)
1	Health index	17
2	Agricultural index	10
3	Population index	18
4	Urban services index	5
5	Basic share index	20
6	Land area index	8
7	Rural access index	8
8	Poverty head count index	14
Total		100

Source: CRA, 2020

The Third Basis (the allocation ratio and the formula component) was used to share a total of Ksh. 1,842,042 million for financial years 2020/21 to 2024/25 among county governments as shown in Table 2-6.

Table 2-6: Allocation to Counties based on the Third Basis (Ksh. Millions)

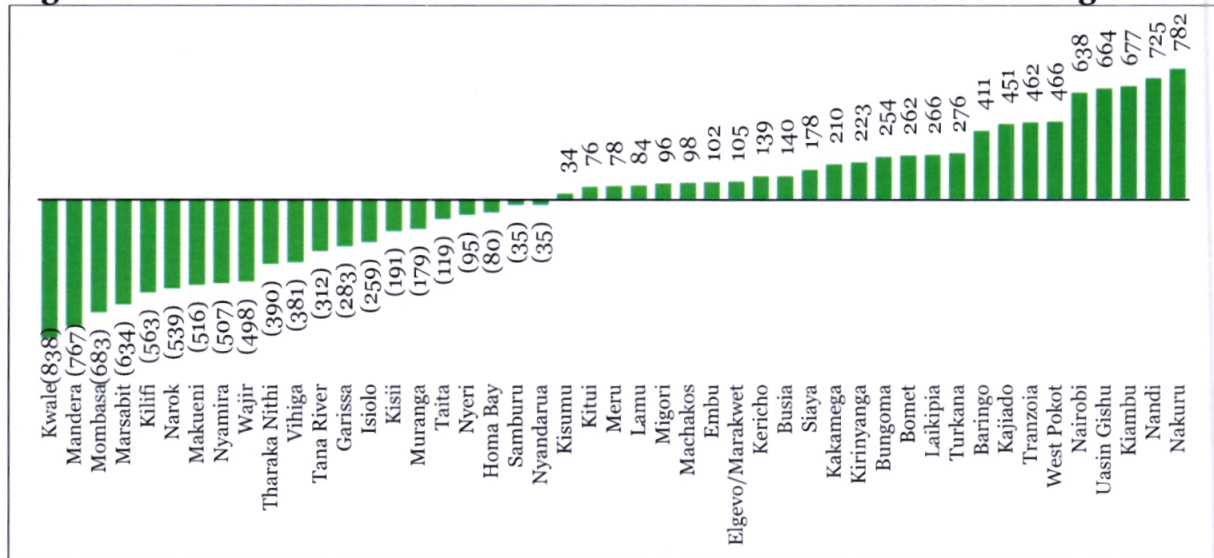
	County	2020/21	2021/22	2022/23	2023/24	2024/25	Total
1	Baringo	5,096	6,369	6,369	6,648	6,913	31,395
2	Bomet	5,507	6,691	6,691	6,978	7,251	33,118
3	Bungoma	8,894	10,659	10,659	11,112	11,543	52,867
4	Busia	6,014	7,172	7,172	7,476	7,765	35,599
5	Elgevo/Marakwet	3,861	4,607	4,607	4,801	4,987	22,863
6	Embu	4,304	5,125	5,125	5,342	5,548	25,444
7	Garissa	7,026	7,927	7,927	8,249	8,555	39,684
8	Homa Bay	6,741	7,805	7,805	8,128	8,436	38,915
9	Isiolo	4,241	4,710	4,710	4,899	5,079	23,639
10	Kajiado	6,425	7,955	7,955	8,300	8,629	39,264
11	Kakamega	10,413	12,389	12,389	12,913	13,411	61,515
12	Kericho	5,381	6,431	6,431	6,703	6,963	31,909
13	Kiambu	9,432	11,718	11,718	12,228	12,713	57,809
14	Kilifi	10,445	11,642	11,642	12,109	12,555	58,393
15	Kirinyanga	4,241	5,196	5,196	5,420	5,634	25,687
16	Kisii	7,786	8,894	8,894	9,259	9,606	44,439
17	Kisumu	6,836	8,026	8,026	8,362	8,681	39,931
18	Kitui	8,830	10,394	10,394	10,829	11,244	51,691
19	Kwale	7,786	8,266	8,266	8,584	8,887	41,789
20	Laikipia	4,178	5,136	5,136	5,358	5,570	25,378
21	Lamu	2,595	3,106	3,106	3,237	3,363	15,407
22	Machakos	7,754	9,162	9,162	9,547	9,914	45,539
23	Makueni	7,406	8,133	8,133	8,455	8,763	40,890
24	Mandera	10,223	11,190	11,190	11,633	12,055	56,291
25	Marsabit	6,773	7,277	7,277	7,560	7,830	36,717
26	Meru	8,039	9,494	9,494	9,893	10,273	47,193
27	Migori	6,773	8,005	8,005	8,341	8,662	39,786
28	Mombasa	7,058	7,567	7,567	7,862	8,142	38,196
29	Muranga	6,298	7,180	7,180	7,474	7,754	35,886
30	Nairobi	15,920	19,250	19,250	20,072	20,855	95,347
31	Nakuru	10,476	13,026	13,026	13,593	14,134	64,255
32	Nandi	5,349	6,991	6,991	7,305	7,605	34,241
33	Narok	8,039	8,845	8,845	9,196	9,531	44,456
34	Nyamira	4,811	5,135	5,135	5,334	5,524	25,939
35	Nyandarua	4,874	5,670	5,670	5,906	6,130	28,250
36	Nyeri	5,412	6,229	6,229	6,485	6,730	31,085
37	Samburu	4,621	5,371	5,371	5,594	5,807	26,764
38	Siaya	5,792	6,967	6,967	7,263	7,545	34,534
39	Taita	4,241	4,842	4,842	5,040	5,229	24,194
40	Tana River	5,855	6,528	6,528	6,791	7,041	32,743
41	Tharaka Nithi	3,925	4,214	4,214	4,378	4,535	21,266
42	Tranzoia	5,760	7,186	7,186	7,500	7,799	35,431
43	Turkana	10,539	12,609	12,609	13,144	13,653	62,554
44	Uasin Gishu	6,330	8,069	8,069	8,426	8,766	39,660
45	Vihiga	4,653	5,067	5,067	5,267	5,457	25,511
46	Wajir	8,546	9,475	9,475	9,854	10,215	47,565
47	West Pokot	5,001	6,297	6,297	6,574	6,837	31,006
	TOTAL	316,500	370,000	370,000	385,425	400,117	1,842,042

Source of Data: CARA, Various

2.6. Transition Effects of the Third Basis

The change from the Second Basis to the Third Basis resulted from the change of the revenue sharing framework that incorporated additional parameters, namely: health; agriculture, livestock and fisheries; urban services; and roads; the change of data for population from 2009 to 2019 and the change of poverty data from 2009 to 2015/16. The transition from the Second Basis to the Third Basis occasioned the net effects shown in Figure 2.

Figure 2-2: Transition Effects of the Third Basis for Revenue Sharing



Source: CRA ,2020

2.7. Expenditures of County governments

Table 2-7 presents an analysis of how county governments have utilised revenues allocated to them as equitable shares transfers, conditional transfers and own source revenues for the financial years 2014/15 to 2021/22. As shown in Table 2-7, revenue utilisation across counties for the various functions differ substantially, an indication of economic disparities, and variation in development needs and spending priorities across county governments.

Table 2-7: Average Utilisation of Funds by Counties % (2014/15 - 2021/22)

County	Agriculture, Rural & Urban Development	County Assembly	Education	Energy, Infrastructure and Information Communications Technology	Environmental Protection, Water and Natural Resources	General Economic & Commercial Affairs	Health	Public Service & Administration	Social Protection, Culture and Recreation
Baringo	9.6	10.8	8.7	7.8	7.9	2.8	37.2	13.5	1.6
Bomet	12.2	9.5	9.5	11.6	5.9	1.4	20.1	25.3	4.5
Bungoma	10.6	9.8	10.1	11.7	1.5	4.1	23.4	27.3	1.4
Busia	8.4	12.3	6.5	11.8	4.8	0.7	24.2	29.1	2.4
Elgeyo/Marakwet	7.9	12.5	8.8	9.7	6.7	2.3	36.0	13.7	2.4
Embu	8.0	9.8	6.4	12.3	2.2	1.7	36.9	21.2	1.5
Garissa	8.3	8.7	6.6	10.7	11.0	1.4	25.8	26.5	0.9
Homa Bay	5.7	14.2	7.8	11.2	4.9	4.2	27.6	24.2	0.3
Isiolo	7.3	12.5	4.7	6.3	7.0	3.1	24.2	33.2	1.8
Kajiado	7.2	10.8	9.2	9.9	4.8	2.7	25.9	28.3	1.2
Kakamega	5.8	8.3	5.1	15.8	1.6	2.3	18.0	41.2	1.9
Kericho	7.6	11.6	8.2	13.8	4.5	1.7	33.3	19.3	-
Kiambu	9.8	9.0	8.1	11.1	3.2	2.2	34.8	20.4	1.5
Kilifi	10.1	9.0	12.0	15.9	8.8	2.2	25.3	16.2	0.4
Kirinyaga	7.1	11.4	5.1	9.8	5.8	1.7	31.5	25.9	1.6
Kisii	7.5	9.9	6.9	11.9	3.2	1.4	32.4	25.2	1.6
Kisumu	5.3	6.9	5.0	4.2	1.9	1.4	23.8	50.7	0.6
Kitui	25.5	8.4	6.7	0.7	3.0	4.1	25.5	24.5	1.7
Kwale	6.5	9.8	16.7	6.5	7.0	3.5	28.5	18.0	3.5
Laikipia	1.9	9.0	2.0	4.7	3.6	1.4	9.2	68.2	0.1
Lamu	18.8	17.0	8.4	-	-	1.8	28.6	25.4	-
Machakos	7.1	9.1	2.2	13.3	3.4	2.6	15.2	46.8	0.2
Makueni	9.5	9.1	6.9	7.5	8.5	2.4	31.9	21.2	2.9
Mandera	6.7	6.0	6.9	16.1	16.7	2.0	17.0	27.6	0.9
Marsabit	7.2	8.9	6.0	8.7	11.1	3.5	21.4	31.6	1.4
Meru	7.5	12.2	6.8	8.7	8.1	2.6	31.3	20.6	2.2
Migori	8.3	12.8	4.6	13.7	2.9	1.4	21.8	34.5	-
Mombasa	3.8	3.8	5.7	16.7	4.4	3.7	24.6	34.5	2.7
Murang'a	8.6	9.1	6.6	15.7	0.1	2.2	32.9	21.1	3.7
Nairobi	3.1	6.1	6.6	8.6	7.2	1.8	20.5	46.1	-
Nakuru	7.6	9.7	5.6	9.3	4.2	1.8	39.6	21.5	0.8
Nandi	10.1	10.9	7.6	12.7	3.0	2.3	26.6	25.1	1.6
Narok	8.1	6.5	13.7	18.2	3.2	2.6	17.4	30.2	-
Nyamira	8.0	11.5	8.8	9.9	4.9	1.7	31.6	21.8	1.9
Nyandarua	8.2	14.7	4.4	15.1	5.1	2.5	16.9	32.3	0.9
Nyeri	8.7	10.2	4.2	9.3	3.5	1.1	40.1	21.5	1.3
Samburu	9.5	12.4	10.5	15.9	2.9	6.7	19.1	21.2	2.0
Siaya	7.0	12.3	8.4	14.3	4.4	3.3	29.1	21.2	-
Taita Taveta	3.8	14.7	8.4	3.6	3.8	2.0	13.3	48.4	1.9
Tana River	6.7	12.0	7.1	18.0	3.8	6.2	20.1	24.8	1.2
Tharaka-Nithi	11.0	10.2	5.5	14.0	3.6	3.3	33.3	18.8	0.3
Trans Nzoia	10.3	9.8	6.8	11.7	4.1	0.2	32.4	22.6	2.0
Turkana	5.8	9.7	7.5	7.0	7.1	2.8	11.5	48.7	-
Uasin Gishu	8.9	8.8	8.2	17.4	7.7	3.1	24.8	19.5	1.5

County	Agriculture, Rural & Urban Development	County Assembly	Education	Energy, Infrastructure and Information Communications Technology	Environmental Protection, Water and Natural Resources	General Economic & Commercial Affairs	Health	Public Service & Administration	Social Protection, Culture and Recreation
Vihiga	6.6	13.9	9.2	12.0	2.4	1.3	25.2	26.8	2.7
Wajir	7.6	8.0	7.6	14.5	14.7	3.2	20.2	23.4	0.8
West Pokot	10.8	11.3	12.1	8.6	3.7	3.3	24.2	24.9	1.1
Average Allocations	8.0	9.5	7.3	11.1	5.6	2.4	25.3	29.5	1.3

Source of Data: Office of the Controller of Budget, County Reports, Various

As revealed in Table 2-7, on average counties allocate 25.3 percent of their resources to health; and agriculture, rural and urban development, respectively. This is different from the weights summarised in the Third Basis for revenue sharing among county governments presented in Table 5. The Basis provided for the equitable share transfer of 15 per cent (10 percent for agriculture and 5 percent for urban) for agriculture, rural and urban development and 17 percent for health in each financial year to each county government.

The analysis on the utilisation of funds by county governments confirms that the revenue sharing bases provide a revenue allocation framework for sharing of revenues among county governments and not a budgeting framework. The County Government Act, 2012 gives discretion to county governments to consider their development needs and budget for the revenues available to them. Therefore, the revealed average expenditure spending patterns by county governments cannot be used to guide resource sharing. The spending patterns reflect the distinctive county government priorities.

3.0 REVIEW OF THE THIRD BASIS FOR REVENUE SHARING

3.1. Introduction

In reviewing the Third Basis, the Commission invited various stakeholders to submit their critique on the Third Basis and make proposals for consideration in developing the Fourth Basis. The Commission also held open fora with the stakeholders.

3.2. Critique on the Third Basis for Revenue Sharing

The Stakeholders raised the following issues on the Third Basis:

i. Implementation of the Basis

The implementation of the Third Basis was in two parts, an allocation factor and a formula. This was meant to cushion counties and ensure that no county received a lower allocation in the subsequent years. The implementation of the Third Basis has the following shortcomings: the use of different sets of data for the same parameters, for example, the allocation factor has population weighted at 45 percent based on the 2009 census while the formula has population weighted at 18 percent based on the 2019 census; the land parameter has different measures and though Parliament removed the fiscal and prudence measures from the Third Formula, inclusion of the allocation factor in the Third Basis retained the unstable measure of the fiscal effort from the Second Basis.

ii. Multiple use of Population Based Measures

A number of population-based measures are used in the Third Basis. The Basis directly used a weight of 18 percent on the population parameter and indirectly used population in other parameters such as: health (inpatient and outpatient visits), agriculture (proportion of rural households); roads (proportion of rural population not able to access a motorable road within two kilometres), urban services (proportion of urban households) and poverty (number of poor people). The multiple use of population-based indicators posed the challenge of overcompensating populous counties without considering other unique characteristics of counties that impact on the cost of service delivery.

iii. Use of Poverty Measure

The various bases have used a poverty parameter as a measure of economic disparities and therefore developmental needs of counties. The parameter is used to redistribute resources to encourage counties to implement pro-poor programmes that address development needs of their citizens. The changing data on the parameter is disincentivising to counties. It penalizes county governments that have successfully implemented pro-poor programmes over time and rewards counties with higher levels of poverty, some of which, have not initiated any programmes to address poverty despite receiving resources over many years.

iv. Use of Land Area Measure

The Third Basis used a land area parameter to allocate funds to counties based on the geographical size of a county to cater for the additional costs of service delivery from the centre to the extremities. The measure however, did not consider terrain or topography of a county, which also affects the cost of service delivery.

v. Roads Measure

The roads parameter was meant to allocate funds to enable counties to focus on opening and maintaining roads to enhance service provision. While the measure considered the distance travelled to access a motorable road, it did not consider the soil type and climatic conditions of the different regions which impacts on the cost of building and maintaining a road.

vi. Measure of the Health Parameter

The health parameter considered three measures, namely: facility gap; outpatient visits; and inpatient days as indicators of expenditure needs. However, the measure did not consider the differential state of health in a population brought about by the health care outcomes such as the disease burden or mortality rates which also impact the cost of health care. Additionally, the measure did not consider distance to the nearest facility, given that the measure used to establish the facility gap only considers the population based norms.



vii. Incentive parameter for Economic Optimisation

Inclusion of the incentive parameter is in line with Article 203 (1)(i) which provides that in determining the equitable shares to county governments, consideration be given to the need for economic optimisation of each county and the need to provide incentives for each county to optimise capacity to raise revenue. In determining the Third Basis, consideration was not given for inclusion of an incentive parameter.

viii. Exclusion of other Devolved Functions

Part 2 of the Fourth Schedule, assigns county governments 14 functions. The Third Basis contained parameters in: health; agriculture; roads and urban services. The inclusion of these parameters in the Basis was informed by the availability of credible data and the fact that the role of the county governments on these functions are clearly articulated in the Constitution. The Third Basis, however, excluded parameters on other devolved functions such as; water, environment and, pre-primary education and village polytechnics.

3.3. Stakeholder Proposals on the Fourth Basis for Revenue Sharing

During consultations with the national government, Parliament, county governments, and civil society organisations, proposals were made for consideration in the preparation of the Fourth Basis. The proposals made were largely drawn from the functional approach adopted by the Third Basis. This are summarised below.

i. Health

Healthcare is expected to promote access to affordable and quality essential health products and technologies; digitize health services and records; and expand health infrastructure and personnel among others. Some stakeholders noted that the weight of the health parameter in the Third Basis was below the actual county health spending levels and therefore recommended that the weight be increased. The increased health allocation would enable county governments direct more resources to primary healthcare, especially in the delivery of preventive health services by Community Health Promoters.

The stakeholders therefore recommended that the weights on the different measures under the health parameter be adjusted to reflect prioritisation of primary health care and reduction in the need for accelerated construction of

health facilities at Level 2 and 3 to 15 per cent. The following parameters were proposed for consideration in the Fourth Basis:

- i. health facilities by level per county;
- ii. health facility workload based on data for 2020 -2023;
- iii. disease prevalence;
- iv. outcome measures such as maternal and child mortality; and
- v. human resources for health including.

ii. *Agriculture, Livestock and Fisheries*

The role of the county governments in the Agriculture, Livestock and Fisheries sector includes: provision of extension services; addressing food security; construction of grain storage facilities; availing farm inputs including certified seeds and fertilizers; communal dipping and spraying; disease control; and fisheries monitoring, control and surveillance; among others. The priority is to enhance agriculture, livestock and fisheries through value chains.

The stakeholders noted that the agriculture parameter does not fully capture the diversity of agricultural activities in different counties, leading to unfair resource distribution. They recommended increment of the weight of the parameter to enable county governments to optimise the agricultural potential of each county. However, other stakeholders proposed a reduction on the weight of the parameter given that actual county expenditure on agriculture has remained relatively low at five percent over the last ten years notwithstanding the fact that the Third Basis allocated 10 percent to the sector.

Further, the stakeholders recommended that the measurement of the parameter be based on the need for extension services based on the actual number of persons or households that are actively engaged in farming rather than the proportion of the rural households. Although a majority of rural household practice agriculture, others do not. The following proposals were made for inclusion in the Fourth Basis:

- a) Number of farmers who benefit from the provision of agriculture, livestock and fisheries services from the county government;
- b) Livestock - number of animals;
- c) Output from the agriculture sector; and
- d) Urban households who practice peri- urban agriculture.



iii. Roads

Infrastructure development is a pre-requisite to economic development. It targets to enhance transport and connectivity by constructing feeder roads as well as maintenance of existing urban and rural road networks. Stakeholders gave varied views on the weight of the roads parameter.

Some proposed that the weight and measurement of the parameter be left unchanged. Others proposed that the weight be reduced. The following parameters were proposed for consideration in the Fourth Basis:

- a) An infrastructure needs index based on indicators on: access to piped water, electricity, and mobile network coverage;
- b) Length of paved and unpaved road network in each county;
- c) Climatic conditions;
- d) Soil type; and
- e) Proportion of population not accessing a motorable road.

iv. Water

Stakeholders noted that the objective of government is to ensure water availability and access throughout the country. This is to be achieved through: construction of big regional dams and small dams; water pans; water harvesting; water tower rehabilitation and conservation; and development of water and irrigation infrastructure. Stakeholders advocated for inclusion of a water parameters in the Fourth Basis.

v. Urban

The Urban Areas and Cities Act, 2011 establishes three types of urban local bodies namely; cities, municipalities and towns. The Act assigns established urban institutions the responsibility for functions to include solid waste management, refuse collection, street lighting, streets and parks, storm water drainage, water and sanitation. The stakeholders proposed that the Fourth Basis recommendation consider the following parameters:

- a) The proportion of the urban population; and
- b) The number of cities and urban centres in each county.

vi. Education

The Fourth Schedule of the Constitution assigns county governments the role of providing: pre- primary education, village polytechnics, home craft centers, and childcare facilities. Stakeholders noted that delivery of quality education is crucial to socio-economic development. They recommended introduction of a parameter on education owing to the fact that expenditure on education services accounted for 7.4 per cent of the county allocations over the past five years (2018/19 to 2022/23).

vii. Poverty

Stakeholders proposed progressive reduction of the weight of the parameter on poverty since it is a proxy for economic disparities. Proposals were made for consideration of more comprehensive parameters such as the deprivation index or the multi-dimensional poverty index instead of the poverty headcount. Further, stakeholders recommended that more direct measures of development needs be developed.

viii. Land Area

Various stakeholders noted that while it is true that land size affects the cost of service delivery, they also noted that topography or terrain also impact on the cost of service delivery. Further, some areas are covered by deserts, game parks, game reserves, private ranches and plantations. The following proposals were made to improve the parameter:

- a) Terrain index which combines slope and elevation;
- b) Capping of the land parameter be capped from below to take care of costs associated with terrain for small counties; and
- c) Use of the latest data on land area.

ix. Population

The stakeholder proposed that population be retained in the Fourth Basis and should also consider a measure on transient population and population density and the unique needs of the populace.

x. Basic Share

Stakeholders noted that the basic share is a good parameter that should be retained in the Fourth Basis. They proposed that the measure should be allocated a higher weight. The sharing of the basic share allocation should not be equal but based on a county's administration needs.

xi. Other Recommendations

Some stakeholders recommended a special annual separate grant focused on fiscal prudence. The grant will be used as an incentive to strengthen accountability across the 47 county governments. The need to shift from a parameter to a grant will also ensure that the revenue sharing Basis remains stable and predictable.

The following parameters were also proposed for consideration for inclusion into the Fourth Basis:

1. Incentive parameter based on economic output;
2. Blue economy;
3. Fiscal effort;
4. Fiscal prudence;
5. Environmental performance index;
6. Security; and
7. Infrastructure needs index.

4.0. THE RECOMMENDATION ON THE FOURTH BASIS FOR REVENUE SHARING

4.1. Introduction

In formulating this recommendation, the Commission reviewed the previous revenue sharing frameworks and actual spending patterns by the county governments. Further, the Commission consulted with various stakeholders and took into account the criteria provided in Article 203 (1) (d) to (k), which include:

- i. the need to ensure that county governments are able to perform the functions allocated to them;*
- ii. the fiscal capacity and efficiency of county governments;*
- iii. developmental and other needs of counties;*
- iv. economic disparities within and among counties and the need to remedy them;*
- v. the need for affirmative action in respect of disadvantaged areas and groups;*
- vi. the need for economic optimisation of each county and to provide incentives for each county to optimise its capacity to raise revenue; and*
- vii. the desirability of stable and predictable allocations of revenue.*

In addition, the Commission considered lessons learnt from a review of the Third Basis and proposals from various stakeholders.

4.2. Framework for the Fourth Basis

The framework for sharing revenue among the county governments is based on the following two objectives:

Objective One: Share revenues equitably to facilitate service delivery

The Fourth Schedule of the Constitution outlines the functions and powers of county governments. Article 187 (2) of the Constitution provides that, if a function or power is transferred from a government at one level to the other level, then arrangements shall be put in place to ensure that resources necessary for the performance of the function or exercise of the power are transferred to the recipient government.



The objective of enhancing service delivery considers county population; basic minimum equal allocation, the geographical size of the county.

Objective Two: Address economic disparities to promote development

Article 203(f) and (g) (h) provides that the criteria for determining equitable share among county governments consider the developmental needs and economic disparities within and among counties. Counties have diverse resource endowments and therefore different potentials for economic growth. The level of economic development also varies across the counties with some counties having relatively more developed infrastructure while others still lag behind. In addressing economic disparities across counties, the Fourth Basis has considered county poverty levels and the income distance parameters.

4.3. Definition of Parameters of the Fourth Basis

The number of parameters used in this general-purpose transfer framework has been guided by the objectives of the transfers and the functions of the county governments. The Fourth Basis is based on parameters informed by: objectives of the Fourth Basis; lessons learned from the review of previous bases, stakeholder consultations and comparable international revenue transfer frameworks. The following section discusses the recommended parameters for the Fourth Basis.

i. Population Parameter

County governments offer services which include: Healthcare, water and sanitation, agriculture, urban services; pre-primary education; village polytechnics; homecraft centres; cultural activities, public entertainment and public amenities; fire-fighting services and disaster management; and control of drugs and pornography, among others. These services are largely population-based and therefore the total county population is considered an appropriate measure of expenditure needs. In line with Article 203(1)(j), the population provides for a stable and predictable allocations of revenues to counties. In addition, the population measure ensures equal per person transfers to all counties. A county's proportion of population is based on the Kenya Population and Housing Census (KPHC) 2019 with a weight of 42 per cent and is defined as follows:

$$\text{Population index}_i = \frac{\text{Population in county } i}{\sum_{i=1}^{47} \text{Population in county } i}$$

ii. Equal Share Parameter

The equal share allocation guarantees all counties a minimum allocation to fund common key functions that are similar across all counties irrespective of the size of their population and geographical size of a county. These include costs such as costs of establishing and running administrative structures of government and coordinating participation of communities in county planning and governance at the local level. The weight of the equal share parameter has been enhanced as an affirmative action to increase allocation to the counties with the lowest allocations.

iii. Geographic Size of the County Parameter

The allocation of revenues based on geographical size of the county is meant to provide counties with adequate resources to cater for additional costs related to service delivery. This is informed by the fact that a county with a larger size incurs additional administrative costs to deliver comparable standards of service to its citizens.

The measure used for this parameter in the Fourth Basis is the county's proportion of the geographical size. However, due to marginal incremental costs, the Commission has capped the maximum proportion of size of the county at ten per cent and assigned the parameter a weight of nine per cent. The index is computed as follows:

$$\text{Geographic Size index}_i = \frac{\text{Geographic Size in county } i}{\sum_i^{47} \text{Geographic Size in county } i}$$

iv. Poverty Parameter

The poverty measure is highly correlated with measures of underdevelopment and is therefore used as a proxy for development needs and economic disparities among county governments. The poverty measure is a redistributive parameter meant to promote the constitutional goal of ensuring that all Kenyans have access to basic services, irrespective of where they live. The parameter uses poverty head count which is defined as a county's proportion of poor people as provided in the Kenya Poverty Report 2022 by Kenya National Bureau of Statistics (KNBS). The parameter is assigned a weight of 14 per cent and the index computed as follows;

$$\text{Poverty index}_i = \frac{\text{No. of poor people in county } i}{\sum_{i=1}^{47} \text{No. of poor people in county } i}$$

v. **Income Distance**

The per capita income distance parameter uses the Gross County Product (GCP) to allocate resources among county governments. It provides a monetary measure of the market value of all the final goods and services produced within each of the 47 counties and therefore is a good proxy of the tax capacity of county governments. The Fourth Basis uses the proportion of the three-year average GCP per capita² for 2020, 2021 and 2022 assigned a weight of 13 percent, computed as follows;

$$\text{Income Distance index}_i = \frac{\text{Per capita GCP of Nairobi} - \text{Per Capita GCP of County } i}{\sum (\text{Per capita GCP of Nairobi} - \text{Per Capita GCP of County } i)}$$

4.4. The Framework for the Fourth Basis

The objectives of the Fourth Basis, the selected parameters and the assigned weights are summarised in Table 4-1.

Table 4-1: Summary of the Framework for the Fourth Basis

Objective	Parameter	Assigned Weight %
1. To share revenues equitably to facilitate service delivery	Population	42
	Equal Share	22
	Geographical Size	9
2. To share revenues equitably to address economic disparities and promote development	Poverty	14
	Income Distance	13
Total		100

Source: CRA, 2024

4.5. Implementation of the Fourth Basis

In implementing the Fourth Basis, a stabilisation factor has been inbuilt in the framework to ensure no county government will get less than what they were allocated in financial year 2024/25.

² Nairobi County takes the least income distance index of Mombasa

Stability in revenue sharing is important to ensure county programmes and projects continue without disruption that may be occasioned by sudden budget cuts arising from change of the revenue sharing framework. The stabilisation factor is computed from the output of the five parameters used in the revenue sharing framework.

4.6. The Fourth Basis for Revenue Sharing

The aggregate Allocation Framework for the Fourth Basis is summarised as:

$$\begin{aligned} \text{County Allocation}_i &= (0.42 * \text{Population Index}_i + 0.22 * \text{Equal Share Index}_i \\ &+ 0.14 * \text{Poverty Index}_i + 0.09 * \text{Geographical Size Index}_i \\ &+ 0.13 * \text{Income Distance Index}_i) * \text{Stabilisation factor}_i \end{aligned}$$

The summary of the allocations based on the Fourth basis for revenue sharing by county is presented in Table 4.2:

Table 4-2: Summary of the Fourth Basis for Revenue Sharing by County

No	County	Population	Equal Share	Poverty	Income Distance	Geographic size	Stabilisation factor	Allocation Factor
		42%	22%	14%	13%	9%		
1	Baringo	1.40	2.13	1.7	2.38	1.97	0.97	1.72
2	Bomet	1.84	2.13	2.2	2.09	0.45	0.97	1.80
3	Bungoma	3.51	2.13	4.4	2.34	0.54	0.97	2.82
4	Busia	1.88	2.13	2.5	2.44	0.30	0.97	1.89
5	Elgeyo-Marakwet	0.96	2.13	1.3	1.77	0.54	0.97	1.29
6	Embu	1.28	2.13	0.8	1.74	0.51	0.97	1.35
7	Garissa	1.77	2.13	3.0	2.59	8.02	0.97	2.61
8	Homa-Bay	2.38	2.13	1.7	2.38	0.57	0.99	2.04
9	Isiolo	0.56	2.13	0.8	2.45	4.54	0.97	1.50
10	Kajiado	2.35	2.13	2.2	2.29	3.92	0.97	2.34
11	Kakamega	3.93	2.13	3.8	2.36	0.54	1.08	3.25
12	Kericho	1.90	2.13	2.3	2.05	0.44	0.97	1.83
13	Kiambu	5.08	2.13	2.5	1.81	0.46	0.97	3.14
14	Kilifi	3.06	2.13	4.1	2.25	2.25	1.08	3.05
15	Kirinyaga	1.28	2.13	0.7	1.93	0.26	0.98	1.36
16	Kisii	2.66	2.13	2.2	2.16	0.24	1.06	2.33
17	Kisumu	2.43	2.13	2.4	1.90	0.37	1.00	2.10
18	Kitui	2.39	2.13	3.5	2.35	5.45	0.99	2.72
19	Kwale	1.82	2.13	2.3	2.26	1.48	1.09	2.16
20	Laikipia	1.09	2.13	1.0	2.06	1.71	0.97	1.45
21	Lamu	0.30	2.13	0.3	1.84	1.12	0.97	0.94
22	Machakos	2.99	2.13	2.9	1.88	1.08	0.97	2.40
23	Makueni	2.08	2.13	2.3	2.41	1.46	1.01	2.13

No	County	Population	Equal Share	Poverty	Income Distance	Geographic size	Stabilisation factor	Allocation Factor
		42%	22%	14%	13%	9%		
24	Mandera	1.82	2.13	3.3	2.62	4.65	1.19	2.93
25	Marsabit	0.97	2.13	1.6	2.29	10.41	0.97	2.26
26	Meru	3.25	2.13	2.8	1.89	1.26	0.97	2.50
27	Migori	2.35	2.13	2.7	2.39	0.47	0.97	2.12
28	Mombasa	2.54	2.13	1.7	1.09	0.04	1.03	1.98
29	Murang'a	2.22	2.13	1.7	2.01	0.45	0.97	1.88
30	Nairobi City	9.24	2.13	3.8	1.09	0.13	1.00	5.05
31	Nakuru	4.55	2.13	4.3	1.83	1.34	1.02	3.42
32	Nandi	1.86	2.13	1.8	2.11	0.51	1.01	1.84
33	Narok	2.43	2.13	1.6	2.22	3.22	1.01	2.31
34	Nyamira	1.27	2.13	1.3	2.01	0.16	0.97	1.41
35	Nyandarua	1.34	2.13	1.2	1.79	0.59	1.00	1.49
36	Nyeri	1.60	2.13	1.0	1.65	0.60	1.05	1.63
37	Samburu	0.65	2.13	1.2	2.49	3.78	0.97	1.52
38	Siaya	2.09	2.13	2.0	2.40	0.45	0.97	1.92
39	Taita-Taveta	0.72	2.13	0.7	2.06	3.07	0.97	1.37
40	Tana-River	0.66	2.13	1.1	2.47	6.80	0.97	1.78
41	Tharaka-Nithi	0.83	2.13	0.7	2.16	0.46	0.97	1.20
42	Trans-Nzoia	2.08	2.13	2.0	2.15	0.45	0.97	1.89
43	Turkana	1.95	2.13	4.1	2.39	10.41	1.07	3.31
44	Uasin-Gishu	2.45	2.13	2.4	1.95	0.61	0.99	2.12
45	Vihiga	1.24	2.13	1.5	2.26	0.10	0.97	1.46
46	Wajir	1.64	2.13	2.7	2.61	10.18	0.97	2.70
47	West Pokot	1.31	2.13	2.0	2.35	1.64	0.97	1.69

Source of Data: CRA, 2024

4.7. Allocation of Equitable Shares Based on the Fourth Basis

The Commission has recommended an equitable share allocation to County governments of Ksh 417.4 billion for the financial year 2025/26. Based on this allocation the sharing among county governments is presented in Table 4.3.

Table 4-3: Sharing of Revenue Among County Governments

	County	Third Basis Allocation Index	2024/25 Allocation	Fourth Basis Allocation Index	2025/26 Allocation
1	Baringo	1.73	6,684	1.72	7,185
2	Bomet	1.81	7,015	1.80	7,528
3	Bungoma	2.88	11,171	2.82	11,766
4	Busia	1.94	7,515	1.89	7,893
5	Elgeyo-Marakwet	1.25	4,827	1.29	5,374
6	Embu	1.39	5,370	1.35	5,616
7	Garissa	2.14	8,290	2.61	10,894
8	Homa-Bay	2.11	8,170	2.04	8,536
9	Isiolo	1.27	4,924	1.50	6,241
10	Kajiado	2.15	8,345	2.34	9,767
11	Kakamega	3.35	12,981	3.25	13,562
12	Kericho	1.74	6,738	1.83	7,653
13	Kiambu	3.17	12,294	3.14	13,094
14	Kilifi	3.14	12,170	3.05	12,715
15	Kirinyaga	1.41	5,449	1.36	5,693
16	Kisii	2.40	9,306	2.33	9,723
17	Kisumu	2.17	8,405	2.10	8,782
18	Kitui	2.81	10,886	2.72	11,374
19	Kwale	2.23	8,625	2.16	9,012
20	Laikipia	1.39	5,387	1.45	6,039
21	Lamu	0.84	3,254	0.94	3,935
22	Machakos	2.48	9,597	2.40	10,027
23	Makueni	2.19	8,497	2.13	8,878
24	Mandera	3.02	11,691	2.93	12,214
25	Marsabit	1.96	7,597	2.26	9,427
26	Meru	2.57	9,944	2.50	10,454
27	Migori	2.16	8,385	2.12	8,838
28	Mombasa	2.04	7,900	1.98	8,253
29	Murang'a	1.94	7,512	1.88	7,852
30	Nairobi City	5.21	20,179	5.05	21,082
31	Nakuru	3.53	13,667	3.42	14,279
32	Nandi	1.90	7,346	1.84	7,675
33	Narok	2.39	9,242	2.31	9,656
34	Nyamira	1.38	5,360	1.41	5,885
35	Nyandarua	1.53	5,937	1.49	6,202
36	Nyeri	1.68	6,519	1.63	6,811
37	Samburu	1.45	5,623	1.52	6,352
38	Siaya	1.88	7,301	1.92	8,019
39	Taita-Taveta	1.31	5,066	1.37	5,711
40	Tana-River	1.76	6,825	1.78	7,433
41	Tharaka-Nithi	1.14	4,400	1.20	5,028
42	Trans-Nzoia	1.95	7,541	1.89	7,878
43	Turkana	3.41	13,213	3.31	13,805
44	Uasin-Gishu	2.19	8,472	2.12	8,852
45	Vihiga	1.37	5,293	1.46	6,077
46	Wajir	2.56	9,903	2.70	11,283
47	West Pokot	1.71	6,610	1.69	7,070
	Totals	100.00	387,425	100.00	417,425

Source of Data: CRA, 2024

5.0. THE APPLICATION OF ARTICLE 203

5.1. Introduction

Article 216 (3) provides that in determining the basis for revenue sharing among counties, the Commission should take into account the criteria set out in Article 203. The criteria in Article 203(1) can be divided into two; Article 203 (1) (a) to (c), which are applicable in determining the equitable shares between the national government and the county governments and Article 203 (1) (d) to (k) which are applicable in determining the equitable shares among the county governments. Section 5.2 explains how the parameters selected for the Fourth Basis for revenue sharing meet the requirements of Article 203 (1) (d) to (k).

5.2. Application of Article 203

i. Article 203(1)(d): Ability of county governments to perform functions assigned to them

The functions assigned to county governments as specified in the Fourth Schedule include: health, water, agriculture, urban services, pre-primary education, village polytechnics, cultural activities, environmental conservation and sanitation. The Basis has considered financing of these functions within the service delivery component. Further, the Basis has provided for a minimum equal allocation to each county.

ii. Article 203 (1) (e) f) (g) and (h) and (i): on Fiscal capacity and efficiency of county governments; Developmental needs and economic disparities within and among counties and the need to remedy them through affirmative action; and, the need to incentivize counties to optimize capacity to raise revenue

The Fourth Basis has incorporated two parameters, poverty and income distance. Allocations through these parameters are intended to redistribute revenue among counties to address development needs and economic disparities within and among of counties and incentivize counties to optimise revenue collection.

iii. Article 203 (1) (j): Desirability of stable and predictable allocations of revenue

The Fourth Basis recommendation has selected stable parameters on the various measures of expenditure needs of county governments.

Once approved, the basis will be used to share revenues for a period of five financial years from 2025/26 to 2029/2030. Over this period, revenues allocated to counties on account of the Basis will remain stable and predictable, promote multi-year planning and overall budget certainty. Further, the Fourth Basis has a stabilisation factor inbuilt in the framework to ensure no county government will get less than what they were allocated in financial year 2024/25.

iv. Article 203 (1) (k): The need for flexibility in responding to emergencies and other temporary needs, based on similar objective criteria

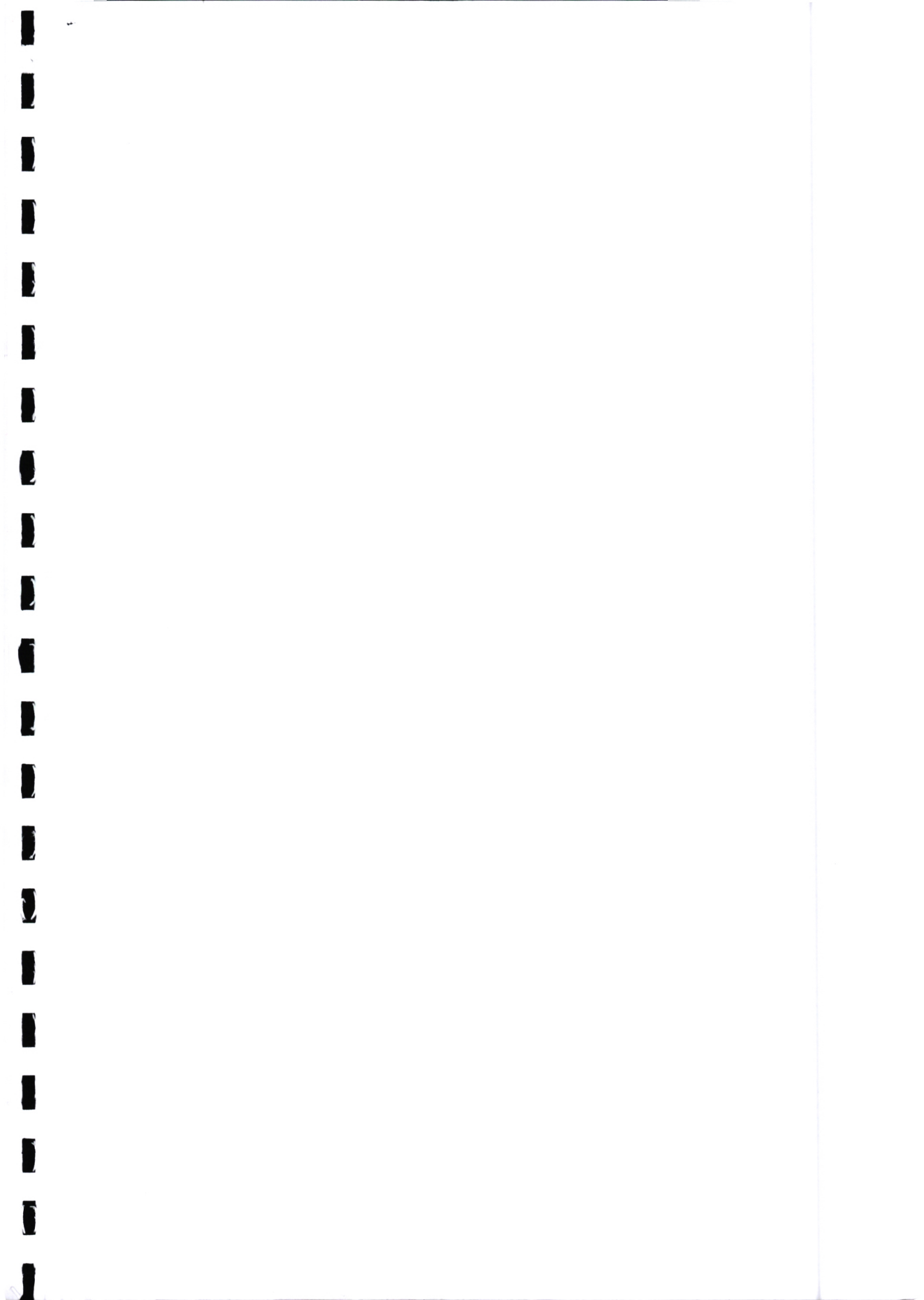
The basis allocates a lump sum amount to all counties thereby preserving their budget autonomy. Lump sum allocation provides county governments spending discretion including flexibility in responding to emergencies and other temporary needs.



Appendix I: Data used in Developing the Fourth Basis

No	Source of Data	2019 Census Report	Kenya Poverty Report 2022		Gross County Product (GCP), Report 2023 Current Prices, Ksh million			2019 Census Report
			County	Population	Poverty Head Count (%)	Poor People ('000')	2020	
1	Baringo	666,763	46.9	334	75,459	85,220	93,334	10,976
2	Bomet	875,689	47.1	441	151,153	167,404	194,798	2,531
3	Bungoma	1,670,570	49.2	880	205,542	224,815	255,699	3,024
4	Busia	893,681	52.7	502	88,731	99,351	115,548	1,696
5	Elgeyo-Marakwet	454,480	53.0	258	117,229	130,394	120,745	3,032
6	Embu	608,599	24.3	158	149,912	166,292	187,934	2,821
7	Garissa	841,353	67.8	607	58,634	65,788	68,481	44,736
8	Homa-Bay	1,131,950	28.2	340	120,751	147,449	162,195	3,153
9	Isiolo	268,002	55.6	157	26,555	29,616	31,486	25,351
10	Kajiado	1,117,840	37.3	443	150,709	159,737	187,411	21,871
11	Kakamega	1,867,579	38.2	764	214,365	245,768	276,484	3,020
12	Kericho	901,777	47.8	461	163,543	182,708	204,443	2,436
13	Kiambu	2,417,735	19.9	513	554,515	622,560	721,205	2,539
14	Kilifi	1,453,787	53.0	821	199,953	229,804	254,799	12,540
15	Kirinyaga	610,411	23.1	150	123,709	139,785	160,909	1,478
16	Kisii	1,266,860	32.9	445	198,192	217,312	257,751	1,323
17	Kisumu	1,155,574	39.0	478	247,324	272,238	312,651	2,085
18	Kitui	1,136,187	58.3	707	154,345	143,268	161,668	30,430
19	Kwale	866,820	51.1	471	119,001	134,865	151,362	8,267
20	Laikipia	518,560	38.0	208	94,639	100,202	119,575	9,532
21	Lamu	143,920	35.6	53	32,747	36,447	40,164	6,253
22	Machakos	1,421,932	38.3	580	309,164	349,897	378,446	6,043
23	Makueni	987,653	44.7	469	110,207	123,610	120,539	8,170
24	Mandera	867,457	72.9	674	56,964	62,984	63,146	25,940
25	Marsabit	459,785	66.1	317	60,486	69,447	73,863	70,944
26	Meru	1,545,714	34.1	562	329,977	378,832	407,419	7,006
27	Migori	1,116,436	45.7	543	120,639	140,719	158,115	2,614
28	Mombasa	1,208,333	27.0	345	468,749	528,400	564,147	220
29	Murang'a	1,056,640	30.1	340	200,539	226,526	247,592	2,524
30	Nairobi City	4,397,073	16.5	767	2,682,701	2,996,494	3,379,354	704
31	Nakuru	2,162,202	38.2	872	483,938	569,453	600,518	7,462
32	Nandi	885,711	39.1	371	149,117	164,688	193,180	2,856
33	Narok	1,157,873	26.2	323	165,462	185,167	217,130	17,950
34	Nyamira	605,576	38.8	252	116,992	125,574	144,676	897
35	Nyandarua	638,289	34.5	235	149,707	162,097	198,389	3,286
36	Nyeri	759,164	26.0	210	209,626	224,365	243,035	3,325
37	Samburu	310,327	71.9	236	29,090	31,057	33,901	21,065
38	Siaya	993,183	38.3	407	103,899	119,951	136,809	2,530
39	Taita-Taveta	340,671	39.3	141	63,592	72,997	70,392	17,152
40	Tana-River	315,943	66.7	225	29,460	35,662	35,159	37,951
41	Tharaka-Nithi	393,177	36.1	151	61,461	71,181	77,999	2,564
42	Trans-Nzoia	990,341	37.3	395	165,700	177,505	190,466	2,495
43	Turkana	926,976	82.7	818	107,450	111,628	128,697	68,233
44	Uasin-Gishu	1,163,186	39.9	492	227,871	268,877	295,698	3,392
45	Vihiga	590,013	47.9	302	83,773	90,585	101,182	564
46	Wajir	781,263	64.7	539	49,159	58,924	61,950	56,773
47	West Pokot	621,241	60.1	399	79,417	83,816	84,985	9,123
	Total	47,564,296	39.8	20,156	9,864,168	11,033,480	12,287,451	580,877

Source of Data: Kenya National Bureau of Statistics



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