




*Approved*  
*SNA*  
*19/6/25*

**REPUBLIC OF KENYA  
THE NATIONAL ASSEMBLY**

**THIRTEENTH PARLIAMENT – FOURTH SESSION - 2025  
SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS**

**REPORT ON THE SENATE MESSAGE ON THE FOURTH BASIS FOR  
REVENUE SHARING AMONG COUNTY GOVERNMENTS.**

**The Clerk's Chambers  
National Assembly  
Parliament Buildings  
NAIROBI**

 <b>THE NATIONAL ASSEMBLY PAPERS LAID</b>	
<b>DATE:</b> 19 JUN 2025	<b>DAY:</b> Thursday
<b>TABLED BY:</b>	Hon. Samuel Atardi (Chairperson, Budget & Appropriations Committee)
<b>CLERK-AT THE-TABLE:</b>	Anastacia

<b>NATIONAL ASSEMBLY RECEIVED</b>
19 JUN 2025
<b>SPEAKER'S OFFICE</b> P. O. Box 41842, NAIROBI.

**June, 2025**

## Table of Contents

<b>I.0 PREFACE .....</b>	<b>iii</b>
1.1 Establishment and Mandate of the Committee .....	iii
1.2 Membership of the Committee .....	iii
1.3 Committee Secretariat.....	iv
1.4 Technical Support to the Committee .....	v
1.5 Acknowledgements .....	v
<b>2.0 Background .....</b>	<b>1</b>
<b>3.0 Evolution of the Revenue Sharing Basis.....</b>	<b>2</b>
<b>4.0 Resolution of the Senate on the Fourth Basis.....</b>	<b>3</b>
<b>5.0 Observations and Recommendations .....</b>	<b>5</b>
5.1 Committee Observations .....	5
5.2 Committee Recommendations .....	5

---

## **I.0 PREFACE**

### **I.1 Establishment and Mandate of the Committee**

- I. Article 221 (4 and 5) of the Constitution and Section 7 of the Public Finance Management Act, Cap 412A, provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates, among which is to:
- i. Investigate, inquire into, and report on all matters relating to the coordination, control, and monitoring of the national budget;
  - ii. Discuss/Review the budget estimates and make recommendations to the House;
  - iii. Examine the Budget Policy Statement presented to the House;
  - iv. Examine bills related to the national budget, including appropriation bills;
  - v. Evaluate tax estimates, economic and budgetary policies, and programmes with direct budget outlays; and
  - vi. Examine the Division of Revenue Bill.

### **I.2 Membership of the Committee**

2. Pursuant to Standing Order 207(2), the Budget and Appropriations Committee, as currently constituted, comprises the following Honourable Members:

#### **CHAIRPERSON**

Hon. Atandi, Samuel Onunga, M.P.  
Alego Usonga Constituency  
ODM PARTY

#### **VICE CHAIRPERSON**

Hon. (Dr.) Robert Pukose, CBS, M.P.  
Endebess Constituency  
UDA PARTY

#### **MEMBERS**

Hon. Ndindi, Nyoro, CBS, M.P.  
Kiharu Constituency  
UDA PARTY

Hon. Chumel, Samwel Moroto, M.P.  
Kapenguria Constituency  
UDA PARTY

Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.  
Eldas Constituency  
Jubilee Party

Hon. Mulu, Makali, PhD, CBS, M.P.  
Kitui Central Constituency  
WDM – Kenya

Hon. Lekuton, Joseph, M.P. Laisamis Constituency UDM PARTY	Hon. Lesuuda, Josephine Naisula, OGW, M.P. Samburu West Constituency KANU PARTY
Hon. Ochieng, David Ouma, M.P. Ugenya Constituency MDG PARTY	Hon. Robi, Mathias Nyamabe, M.P. Kuria West Constituency UDA PARTY
Hon. Ongili, Babu Owino Paul, M.P. Embakasi East Constituency ODM PARTY	Hon. Muchira, Michael Mwangi, M.P. OI Jorok Constituency UDA PARTY
Hon. Mwirigi, John Paul, M.P. Igembe South Constituency UDA PARTY	Hon. Wangaya, Christopher Aseka, M.P. Khwisero Constituency ODM PARTY
Hon. (Dr.) Gogo, Lilian Achieng, M.P. Rangwe Constituency ODM Party	Hon. Mwakuwona, Danson Mwashako, M.P. Wundanyi Constituency WDM – Kenya
Hon. Wanjiku, John Njuguna, M.P. Kiambaa Constituency UDA PARTY	Hon. Masara, Peter Francis, M.P. Suna West Constituency ODM PARTY
Hon. Guyo, Ali Wario, M.P. Garsen Constituency ODM PARTY	Hon. Murumba, John Chikati, PhD, M.P. Tongaren Constituency FORD-Kenya
Hon. Busia, Ruth Adhiambo Odinga, M.P. Kisumu County ODM PARTY	Hon. Kitilai, Ole Ntutu, M.P. Narok South Independent
Sergon, Flowrence Jematiah, M.P. Baringo County UDA PARTY	Hon. Mokaya, Nyakundi Japheth, M.P. Kitutu Chache North Constituency UDA PARTY
Hon. Abdirahman Mohamed Abdi, M.P. Lafey Constituency Jubilee Party	Hon. Mutuse, Eckomas Mwengi, OGW, M.P. Kibwezi West Constituency MCC Party
Hon. Kagiri, Jane Wangechi, OGW, M.P. Laikipia County UDA Party	

### **1.3 Committee Secretariat**

3. The Committee Secretariat comprises the following:

Mr. Danson Kachumbo <b>Senior Fiscal Analyst/ Lead Clerk</b>	
Ms. Sylvia Ocharo Senior Research Officer/Clerk Assistant	Mr. Ringine Mutwiri Fiscal Analyst/ Clerk Assistant
FA. Loice Olesia Fiscal Analyst	Mr. Moses Mwariri Legal Counsel
Ms. Fridah Ngari Media Relations	Mr. Simon Ouko Serjeant-at-arms
Mr. Nimrod Ochieng Audio Officer	Mr. Jared Amara Office Assistant

#### **I.4 Technical Support to the Committee**

4. The Committee received technical support from the following officers of the Parliamentary Budget Office:

FA (Dr.) Martin Masinde  
**Director, Parliamentary Budget Office**

Dr. Abel Nyagwachi Senior Fiscal Analyst	Mr. Kioko Kiminza Fiscal Analyst II
---------------------------------------------	----------------------------------------

#### **I.5 Acknowledgements**

5. The Budget and Appropriations Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, and the Parliamentary Budget Office for the support extended in fulfilling this mandate of reviewing the Fourth Basis for Revenue Sharing. On behalf of the Committee, it is my pleasant duty and privilege to table the Report and recommend it to the House for adoption.

SIGNED .....



**HON. SAMUEL ATANDI, M.P.**  
CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

DATE.....18.06.2025.....

## **2.0 Background**

1. The Constitution of Kenya requires the Senate, every five years, to pass a resolution determining the formula for distributing the county equitable share of the nationally raised revenue among county governments. To achieve this, Article 216(1) assigns the Commission on Revenue Allocation (CRA) the responsibility of recommending how revenue raised by the national government should be shared, both between the national and county governments, and among the individual counties.
2. In line with Article 216(1)(b) of the Constitution, which mandates the Commission on Revenue Allocation to recommend how revenue raised by the national government should be equitably shared among county governments, the CRA submitted its proposals for the fourth basis of revenue sharing to Parliament in January 2025, as required under Article 216(5).
3. Since the promulgation of Kenya's 2010 Constitution, there have been three distinct bases for equitable revenue sharing among county governments, each crafted to reflect evolving priorities and socio-economic dynamics. The first basis, approved by the 10<sup>th</sup> Parliament in November 2012, laid the groundwork for the horizontal division of revenue under the new devolved system.
4. Building on that foundation, the second basis was adopted by the 11<sup>th</sup> Parliament in June 2016, incorporating updated data and shifting national development objectives. The third and most recent basis, approved by the 12<sup>th</sup> Parliament in September 2020, introduced further refinements to enhance fairness and encourage sectoral approach in an attempt to ensure resources follow functions.
5. The total resource envelope available to county governments consists of the Equitable Share, Additional Allocations, Own Source Revenue (OSR), and cash balances carried forward from previous financial years. Over the past five years, counties have remained heavily dependent on the Equitable Share, which made up approximately 72% of their overall funding. Additional allocations contributed around 7%, OSR accounted for 12%, and cash balances comprised the remaining 9%. This underscores county governments' substantial dependence on the equitable share.

### 3.0 Evolution of the Revenue Sharing Basis

6. The first basis for revenue sharing in Kenya, adopted in 2012 following the enactment of the 2010 Constitution, established the foundational framework for allocating national revenue to counties. It emphasized five core parameters: population (45%) to reflect service demand, equal share (25%) to guarantee a minimum allocation to every county, poverty levels (20%) to address historical inequities, land area (8%) to account for service delivery costs in geographically expansive regions, and fiscal responsibility (2%) to reward prudent financial management.
7. The second basis for revenue sharing was approved by Parliament in June 2016, introducing refinements to better align revenue allocation with county functions and development needs. While retaining key parameters from the first basis—such as population (45%), equal share (26%), poverty (18%), land area (8%), and fiscal responsibility (2%) it incorporated a new element called the Development Factor (1%) to reflect disparities in access to services and infrastructure. The formula aimed to promote fairness by considering both service delivery needs and counties' capacity to raise and manage resources prudently.
8. The third basis approved by Parliament in September 2020 marked a significant shift toward a more function-based and service-oriented allocation model. It introduced a sectoral approach aligned with county functions under the Constitution, emphasizing parameters such as health, agriculture, urban services, and rural access index.
9. The parameters included in the third basis are equal share (20%), population (18%), health (17%), poverty (14%), land area (8%), agriculture (10%), urban services (5%), rural access (8%), for all counties. This formula aimed to enhance service delivery, promote balanced development, and incentivize good governance and local revenue generation, reflecting a more nuanced and data-driven approach to intergovernmental fiscal transfers.
10. The Fourth Basis for revenue sharing proposed by the Commission on Revenue Allocation centres on two overarching goals: ensuring equitable revenue



distribution to support effective service delivery, and promoting economic equity among counties to drive inclusive development. Anchored in the principles outlined in the fourth Schedule of the Constitution, which details county functions, and Article 203, which sets criteria for equitable sharing, the framework seeks to balance needs-based allocation with strategies aimed at reducing regional disparities.

11. The Fourth Basis for revenue sharing, as submitted by CRA to the Senate, introduces five key parameters. These include Population (42%), reflecting service demand; Equal Share (22%), ensuring a baseline allocation for all counties; Poverty (14%), targeting economic inequality; Income Distance (13%), addressing gaps in economic performance; and Geographical Size (9%), accounting for the logistical costs of service delivery in expansive regions.

#### **4.0 Resolution of the Senate on the Fourth Basis**

12. The Senate considered the proposal by the Commission on Revenue Allocation on the Fourth Basis for Revenue Sharing and noted that the income distance parameter in the Fourth Basis for revenue sharing is derived from the Gross County Product as an average of each county's per capita GCP for the years 2020, 2021, and 2022.
13. This metric reflects a county's economic output and its capacity to generate revenue. To compute the Income Distance Index, the formula subtracts a county's per capita GCP from Nairobi's (as the benchmark), then divides the result by the total sum of such differences across all counties. This parameter was **dropped** due to a lack of credible data, given that the per capita GCP is based on projected population.
14. In its proposal for the Fourth Basis revenue-sharing formula, the Senate has prioritized predictability in county budget allocations. This is basically to ensure that no county will receive less than they did in the previous financial year (FY 2024/25). To achieve this, the Senate has designated the FY 2024/25 allocation amounting to Ksh. 387.425 billion as the Baseline allocation. This amount will be distributed to counties as per their previous shares before any additional revenue is shared under the new parameters of the Fourth Basis. This approach ensures stability and



cushions counties from potential funding shortfalls during the transition to the new basis.

15. The other notable element of the proposal by the Senate is affirmative support for smaller counties, those that typically receive lower allocations due to factors like population size or geographical size, limiting their capacity to fund meaningful development. To address this disparity, the Senate has earmarked a special allocation to bolster allocation to these counties. Ksh. 3 billion will be set aside if the total equitable share is below Ksh. 415 billion, and Ksh. 4.46 billion if it exceeds that threshold. This amount will be shared equally among the 12 identified counties that include: Elgeyo/Marakwet, Embu, Isiolo, Kirinyaga, Laikipia, Lamu, Nyamira, Nyandarua, Samburu, Taita/Taveta, Tharaka-Nithi and Vihiga.

16. The last part of the formula is basically the basis for sharing the remaining amount of the equitable share, after netting off the Ksh.387.425 billion baseline, and the affirmative action fund for the 12 counties. An allocation ratio has been developed by using the Population weighted at 45%, the Equal Basic Share weighted at 35%, the Poverty Index at 12 % and Geographical Size at 8%.

17. Therefore, the Fourth Basis for revenue sharing, as approved by the Senate, comprises three key components: a *baseline allocation* to ensure that no county receives less than it did in the 2024/25 financial year, an *affirmative allocation* dedicated to small or historically underfunded counties, aimed at enhancing their capacity to implement meaningful development; and a *parameter-based framework* to guide the distribution of any additional revenue beyond the baseline and affirmative amounts, using defined indicators such as basic share, population, poverty levels, and geographical size to promote fairness and equity.

18. The Basis therefore looks as follows:

i) **For County Equitable Share below Ksh. 415 billion -**

County Allocation = (Baseline Allocation Ratio\*Ksh.387.425 billion) + (Ksh. 3 billion shared equally among the identified 12 counties) + {[ (0.45\*Population Index) + (0.35\*Equal Share Index) + (0.12\*Poverty Index) + (0.08\*Geographical Size Index)] \*(County Equitable Share -Ksh. 390.425 billion)}.

**ii) For County Equitable Share of Ksh. 415 billion and above-**

County Allocation = (Baseline Allocation Ratio\*Ksh.387.425 billion) + (Ksh. 4.46 billion shared equally among the identified 12 counties) + {[ (0.45\*Population Index) + (0.35\*Equal Share Index) + (0.12\*Poverty Index) + (0.08\*Geographical Size Index)] \*(County Equitable Share - Ksh. 391.89 billion)}.

**5.0 Observations and Recommendations**

19. Based on the ensuing deliberations, the Committee made the following observations and recommendations:

**5.1 Committee Observations**

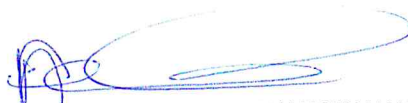
20. That, based on the resolution of the Senate, no county will receive less funding than it did in the 2024/25 financial year. This commitment ensures continuity and predictability in county financing by anchoring the current allocations as the baseline.

21. That with a mediated allocation to counties in the Division of Revenue Bill of Ksh. 415 billion, an additional Ksh. 4.46 billion will be equally shared among 12 historically disadvantaged counties for FY 2025/26.

**5.2 Committee Recommendations**

22. The Committee, having reviewed and examined the message of the Senate on the Fourth Basis for Revenue Sharing, recommends that the House approve the Basis without amendment.

SIGNED .....



**HON. SAMUEL ATANDI, M.P.**

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

DATE .....

18.06.2025

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 18 JUN 2025	DAY: Thursday
TABLED BY: Anastacia	By: Hon. Samuel Atandi (Chairperson, Budget and Appropriations Committee)