



**Promoting an
Equitable Society**

**POPULAR VERSION OF THE FOURTH
BASIS FOR EQUITABLE SHARING OF
REVENUE AMONG THE COUNTY
GOVERNMENTS
FOR FINANCIAL YEARS
2025/26 - 2029/2030**

1. INTRODUCTION

The Fourth Basis recommendation for equitable sharing of revenue among county governments has been prepared in accordance with the provision of Article 216 (1) (b) of the Constitution. The Constitution requires the Commission on Revenue Allocation (the Commission) to make recommendations concerning the basis for the equitable sharing of revenue raised nationally among the county governments. In addition, Article 217(1) requires the Senate once every five years, by resolution to determine the basis for allocating among the counties the share of revenue raised nationally. In doing so, the Senate takes into account the commission's recommendations. The Fourth Basis once approved by Parliament, will be used to share revenues among county governments for five financial years, 2025/26 to 2029/30.

The recommendation has been 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 previous bases.

In developing the Fourth Basis framework, the Commission 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; actual expenditures of county governments; and the need to ensure that the revenue sharing remains stable and predictable.

2. THE FOURTH BASIS RECOMMENDATION FRAMEWORK

2.1. Objectives:

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.

2.2. 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 capita¹ for 2020, 2021 and 2022 assigned a weight of 13 percent, computed as follows;

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

2.3. **The Framework for the Fourth Basis**

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

Table 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

¹ Nairobi County takes the least income distance index of Mombasa

2.4. 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. 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.

2.5. The Fourth Basis for Revenue Sharing

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

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

The summary of the allocations based on the Fourth basis for revenue sharing by county is presented in Table 2:

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

No	County	Population	Equal Share	Poverty	Income Distance	Geographic size	Stabilization 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

No	County	Population	Equal Share	Poverty	Income Distance	Geographic size	Stabilization factor	Allocation Factor
		42%	22%	14%	13%	9%		
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
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

2.6. 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 3.

Table 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