COMMISSION ON REVENUE ALLOCATION

Promoting an Equitable Society

RECOMMENDATION ON THE BASIS FOR EQUITABLE SHARING OF REVENUE BETWEEN THE NATIONAL AND COUNTY GOVERNMENTS FOR FINANCIAL YEAR 2026/2027

JANUARY, 2026

TRANSMITTAL LETTER

Tel: 254 (20) 4298000
Email: info@cra.go.ke
Website: www.cra.go.ke

Prism Towers
3rd Ngong Avenue
28th Floor
P.O. BOX 1310 – 00200
NAIROBI

COMMISSION ON REVENUE ALLOCATION

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Clerk of the Senate
Clerk of the National Assembly
Cabinet Secretary, The National Treasury and Planning
Chairman, Council of Governors
Chairman, County Assemblies Forum

RECOMMENDATION ON SHARING OF REVENUE FOR THE FINANCIAL YEAR 2026/27

Pursuant to Article 216 (1)(a) of the Constitution, the Commission on Revenue Allocation is mandated to make recommendations concerning the basis for equitable sharing of revenue raised by the national government, between the national and county governments. Section 190 (1) of the *Public Finance Management Act CAP 412A* requires that the recommendation be submitted at least six months before the beginning of the financial year or at a later date agreed between the Cabinet Secretary and the Commission on Revenue Allocation. The Commission agreed with the National Treasury that the recommendation for financial year 2026/27 be submitted at a later date.

Based on a revenue projection of Ksh. 2,982.3 billion for the financial year 2026/27, the Commission recommends that Ksh. 2,513.76 billion be allocated to the national government and Ksh. 458.94 billion be allocated to the county governments as equitable shares for the financial year 2026/27. Further, the Commission recommends that Ksh 9.60 billion be allocated to the Equalisation Fund for the financial year 2026/27, being 0.5 per cent of the most recent audited and approved accounts of revenue for financial year 2021/22, amounting to Ksh. 1,920.4 billion, as stipulated in Article 204.

CPA Mary Wanyonyi Chebukati, CBS
CHAIRPERSON

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ACRONYMS

BPS	Budget Policy Statement
CARA	County Allocation of Revenue Act
CHPs	Community Health Promoters
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CRR	Cash Reserve Ratio
CRA	Commission on Revenue Allocation
DANIDA	Danish International Development Agency
DORA	Division of Revenue Act
EAC	East African Community
ELRP	Emergency Locust Response Project
EMDEs	Emerging Markets and Developing Economies
FSRP	Food Systems Resilience Project
FLLoCA	Financing Locally-Led Climate Action
FISIM	Financial Intermediation Services Indirectly Measured
FIF	Facility Improvement Fund
FY	Financial Year
GDP	Gross Domestic Product
IDA	International Development Association
IFAD	International Fund for Agricultural Development
K-WASH	Kenya Water Sanitation and Hygiene
KCSAP	Kenya Climate Smart Agricultural Project
KNBS	Kenya Bureau of Statistics
MPC	Monetary Policy Committee
MTRS	Medium Term Revenue Strategy
OSR	Own Source Revenue
PFMA	Public Finance Management Act
PPP	Public Private Partnership
PPG	Public and Publicly Guaranteed
PV	Present Value
RMLF	Road Maintenance Levy Fund
SSA	Sub-Saharan Africa
US	United States
VAT	Value Added Tax

1 INTRODUCTION

The Commission on Revenue Allocation (the Commission) is mandated by Article 216(1)(a) of *The Constitution of Kenya 2010* to make recommendations on the basis for the equitable sharing of revenue raised nationally between the national and county governments. Section 190(1) of the *Public Finance Management (PFM) Act* Cap 412A requires the Commission to make the recommendations six months before the beginning of the financial year or at a later date agreed between the National Treasury and the Commission.

In determining the equitable share to each level of government, the Commission is guided by the provisions of Article 203(1), which sets the criteria to be considered in the sharing of revenue. Additionally, Article 203(2) provides that for every financial year, the equitable share of revenue allocated to county governments shall be not less than fifteen per cent of all revenue collected by the national government. This amount is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.

The recommendation for the financial year 2026/27 is the fifteenth that the Commission is making since the beginning of devolution in the financial year 2012/13. This recommendation has been made at a time when the economy has demonstrated remarkable resilience by consistently growing at a pace that outperformed both the global and regional averages over the last three years. The growth has been rooted in deliberate government policies and the benefits of a diversified economy under the Bottom-up Economic Transformation Agenda, thereby able to withstand adverse impacts of domestic and external shocks. The economy is expected to remain strong and expand by 5.3 per cent in both 2026 and 2027.

The rest of the recommendation is organised as follows: Section Two assesses the performance of the economy. Section Three evaluates the national government fiscal performance while Section Four presents the county governments fiscal framework. Section Five presents the recommendation on equitable shares of revenue to the national and county governments. Section Six concludes by detailing the sharing of revenue among county governments for the financial year 2026/27.

2 PERFORMANCE OF THE ECONOMY

2.1 Introduction

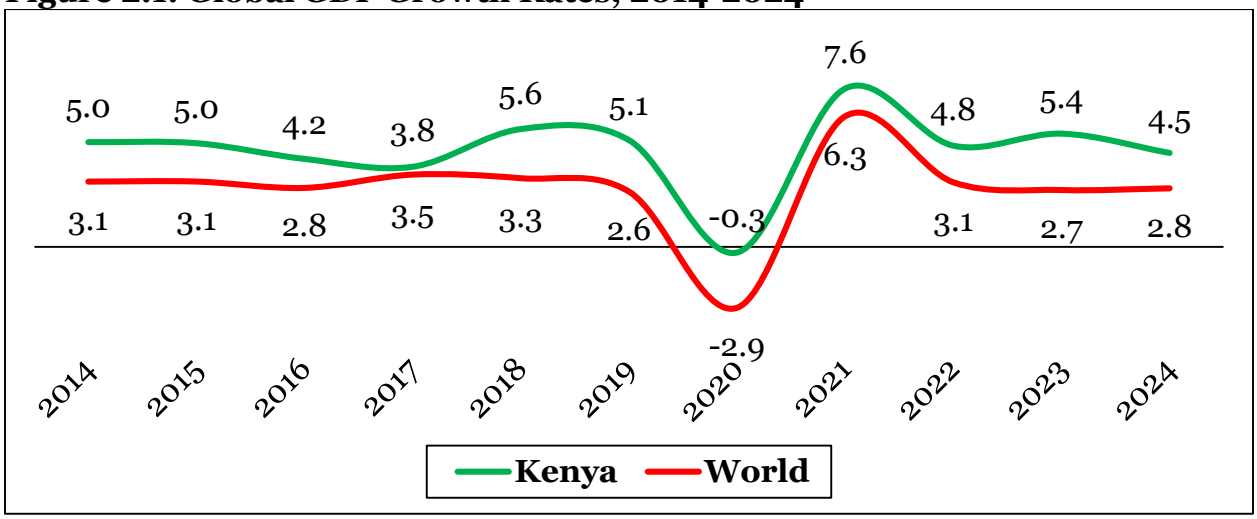
This section analyses the real and monetary sectors' indicators that drive economic performance. The analysis of the size and structure of the economy is important given that it drives revenue performance thereby informing revenue sharing between the national and county governments.

2.2 Real Sector

2.2.1 Gross Domestic Product

At the global level, the economy remained resilient in 2024 despite challenges such as high energy and food prices, and tighter monetary policies. World real Gross Domestic Product (GDP) grew by 2.8 per cent in 2024, compared with 2.7 per cent in 2023 as shown in Figure 2.1. The Advanced Economies' real GDP grew by 1.7 per cent in 2024, similar to the growth in 2023. This growth was mainly supported by loosening of monetary policy, strong domestic demand and increased investment. Real GDP growth of Emerging Markets and Developing Economies' (EMDEs) slowed down from 4.4per cent in 2023 compared to 4.2 per cent in 2023. The slowdown in growth was mainly attributed to supply chain disruptions in production and shipping of commodities, especially in the oil sector.

Figure 2.1: Global GDP Growth Rates, 2014-2024



Source of data: World Bank

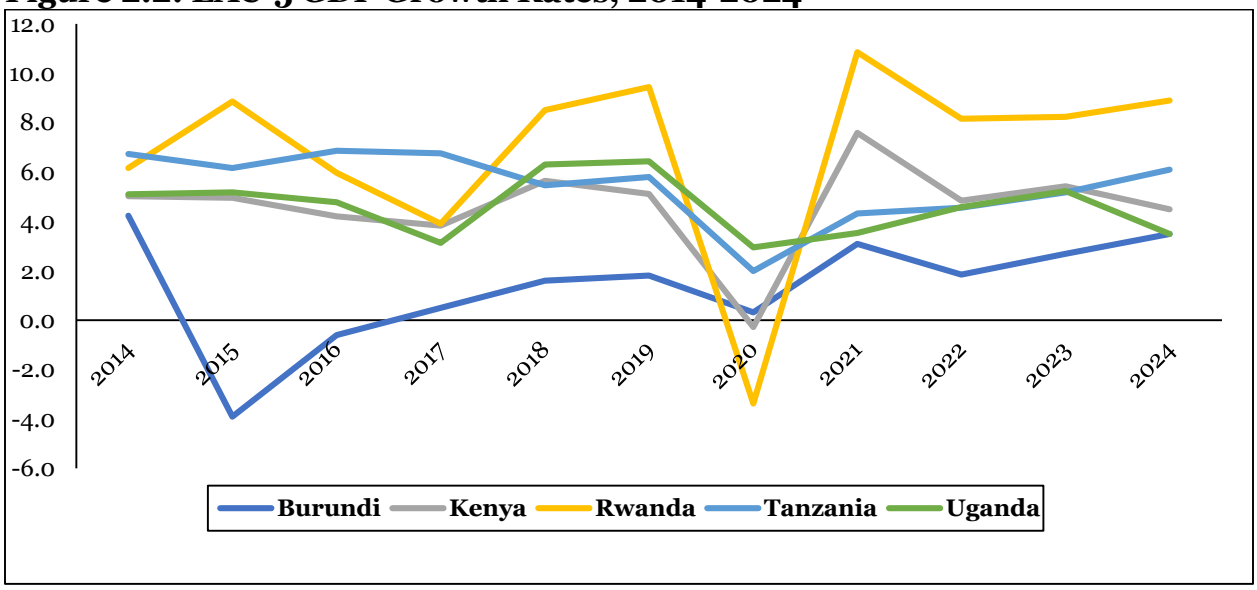
Global economic growth is projected at 3.2 per cent in 2025 with the Advanced economies expected to expand at a slower pace of 1.2 per cent in 2025 while growth in EMDEs is projected to decline to 3.8 per cent.

Sub-Saharan Africa (SSA) economies remained resilient with the real GDP expanding by 3.3 per cent in 2024 compared to 2.9 per cent in 2023. All the economies in the region recorded positive growths except South Sudan, whose growth contracted by 26.4 per cent in 2024 compared to a growth of 2.5 per cent in 2023, mainly due to conflict related challenges. The real GDP of SSA is projected to expand by 3.5 per cent in 2025 buoyed by industrial commodity exporting countries and easing supply constraints.

East African Community (EAC-5) region (Kenya, Uganda, Tanzania, Burundi and Rwanda) real GDP is estimated to have expanded by 5.4 per cent in 2024, up from 5.3 per cent growth in 2023 (Figure 2.2). This growth was mainly driven by robust performances in agriculture, services and manufacturing sectors, alongside increased foreign direct investment. Individual countries within the EAC exhibited varied economic performances in 2024. Kenya's real GDP expanded by 4.7 per cent in 2024 compared to 5.7 per cent growth in 2023, largely driven by agricultural and service activities such as financial, insurance and transportation activities.

The economy of Tanzania grew by 5.4 per cent in 2024 compared to 5.1 per cent in 2023, mainly attributed to robust industrial activity and infrastructure investments. Uganda saw an increase in GDP from 4.6 per cent in 2023 to 5.9 per cent in 2024, propelled by advancements in oil sector developments and public infrastructure projects. Rwanda's growth decelerated to 7.0 per cent in 2024 from 8.2 per cent in 2023, reflecting a moderation after previous rapid expansion. Burundi's economy slowed to 2.2 per cent in 2024 compared to 2.7 per cent growth in 2023, hindered by political uncertainties and limited investment inflows.

Figure 2.2: EAC-5 GDP Growth Rates, 2014-2024

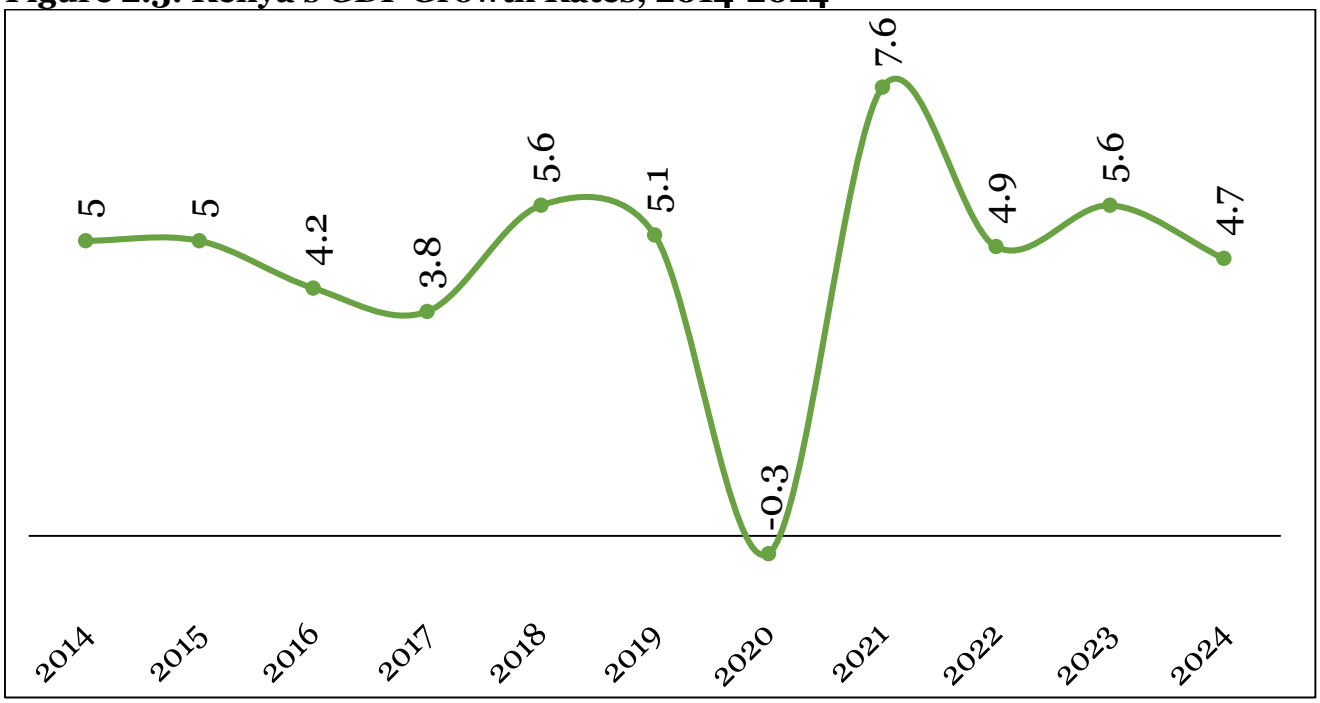


Source of data: World Bank

The real GDP of the EAC-5 is projected to grow by 5.3 per cent in 2025, driven by robust infrastructure projects and regional integration efforts, with Uganda and Rwanda taking the lead.

Kenya's real GDP grew by 4.7 per cent in 2024, compared to 5.7 per cent in 2023 (Figure 2.3). The growth, albeit slower than the previous year's, was to a large extent supported by increased activities in: Agriculture, Forestry and Fishing (4.6%); Financial and Insurance (7.6%); Transportation and Storage (4.4%) and Real Estate (5.3%). Other key sectors that posted significant growth in 2024 were Wholesale and Retail (3.8%), Information and Communication (7.0%), Accommodation and Food Service (25.7%) and Public Administration (8.2%). Economic activities in two sectors: Construction, and Mining and Quarrying however, contracted by 0.7 and 9.2 per cent, respectively. The contraction in construction activities was evidenced by a significant decline in consumption of cement, while that of mining and quarrying activities was manifest in significant drop in production of key minerals such as construction materials, titanium, salt and gemstones.

Figure 2.3: Kenya's GDP Growth Rates, 2014-2024



Source of data: KNBS

The growth of the economy is expected to increase to 5.3 per cent in 2025 and 2026, supported by continued resilience of key service sectors and agriculture, and continued recovery of the industry sector. However, this outlook is subject to risks, including the elevated trade policy uncertainties, and geopolitical tensions.

Analysis of the contribution of various sectors to the overall economic growth shows that Agriculture, Forestry and Fishing sector is the leading driver of economic growth. The Sector contributed on average 21.8 per cent to growth between 2020 and 2024 (Table 2.1). The Transportation and Storage sector, followed with an average contribution of 12.3 per cent. Other sectors that contributed significantly to the overall growth included Real Estate (8.7%) and Wholesale and Retail Trade (7.8%).

Table 2.1: Selected Sectors' Contribution to GDP in Kenya, 2020-2024

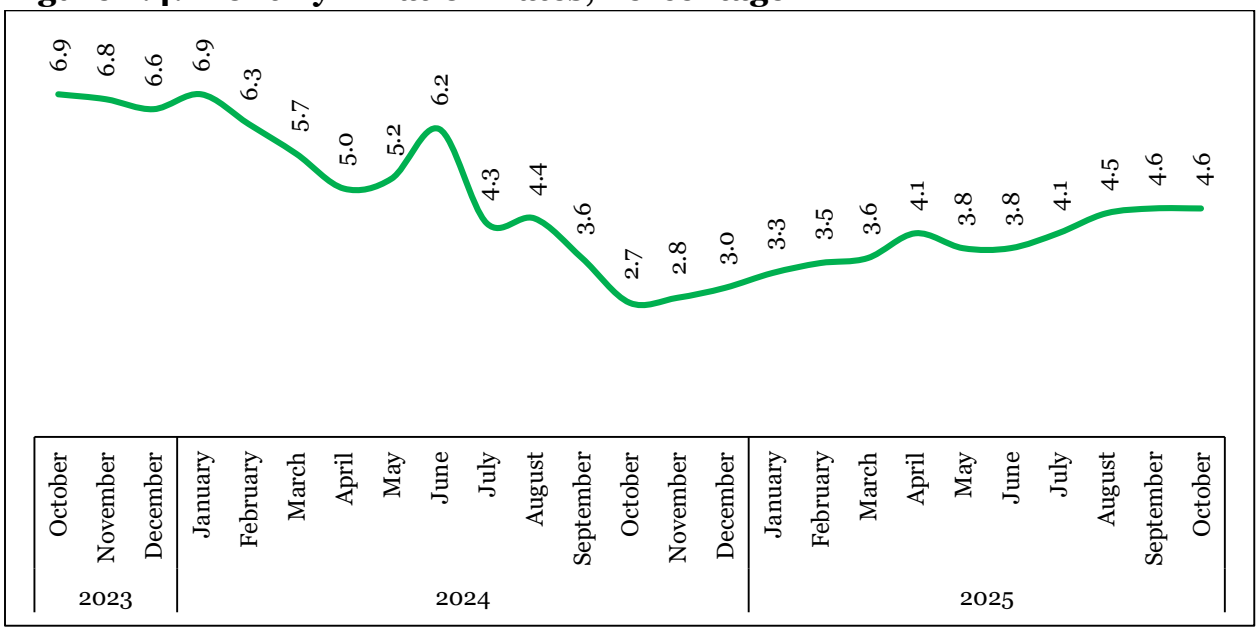
S/No	Industry	2020	2021	2022	2023+	2024*	Average
1	Agriculture, forestry and fishing	22.7	21.5	21	21.5	22.5	21.8
2	Transportation and storage	10.8	11.6	13.2	13.2	12.7	12.3
3	Real estate	9.3	9	8.5	8.4	8.4	8.7
4	Taxes less subsidies on production	8	8.3	7.9	8.1	7.7	8
5	Wholesale and retail trade; repairs	8.1	7.9	7.7	7.7	7.5	7.8
6	Manufacturing	7.6	7.4	7.7	7.5	7.3	7.5
7	Financial and insurance activities	6.7	7.2	7.4	7.8	7.9	7.4
8	Construction	7	7.1	7.1	6.7	6.3	6.8
9	Public administration and defence	5.5	5.3	5	4.9	5	5.1
10	Education	3.9	4.3	4	3.8	3.8	3.96
11	Information and communication	2.6	2.4	2.3	2.3	2.2	2.4
12	Human health and social work activities	2	2	1.8	1.7	1.7	1.8
13	Electricity supply	1.5	1.4	1.3	1.7	1.8	1.5
14	Professional, scientific and technical activities	1.5	1.5	1.4	1.4	1.4	1.4
15	Accommodation and food service activities	0.7	1.1	1.1	1.3	1.6	1.2
16	Other service activities	1.2	1.2	1.2	1.1	1.1	1.2
17	Administrative and support service activities	0.9	0.9	1	1	1.1	1
18	Mining and quarrying	0.7	0.8	0.9	0.7	0.7	0.8
19	Activities of households as employers	0.7	0.6	0.6	0.6	0.6	0.6
20	Water supply; sewerage, waste management	0.6	0.5	0.5	0.5	0.4	0.5
21	Arts, entertainment and recreation	0.2	0.2	0.2	0.2	0.2	0.2
22	Financial Intermediation Services Indirectly Measured (FISIM)	-2	-2	-1.9	-2.2	-2	-2
	GDP at Market Prices	**100**	**100**	**100**	**100**	**100**	**100**

Source of data: KNBS

2.2.2 Inflation

Kenya's inflation has remained stable and within target over the last three years. Overall year-on-year inflation declined and has remained below the mid-point of the policy target range of 5.0 ± 2.5 per cent since June 2024. The year-on-year inflation was stable at 4.6 per cent in October 2025 (Figure 2.4). The stable inflation has been supported by: abundant supply of food attributed to favourable weather conditions coupled with government interventions through subsidised inputs, extension services, and agricultural financing; lower fuel inflation attributed to stable exchange rate; lower international oil prices; and the decline in core inflation reflecting impact of previous monetary policy tightening.

Figure 2.4: Monthly Inflation Rates, Percentage



Source of data: KNBS

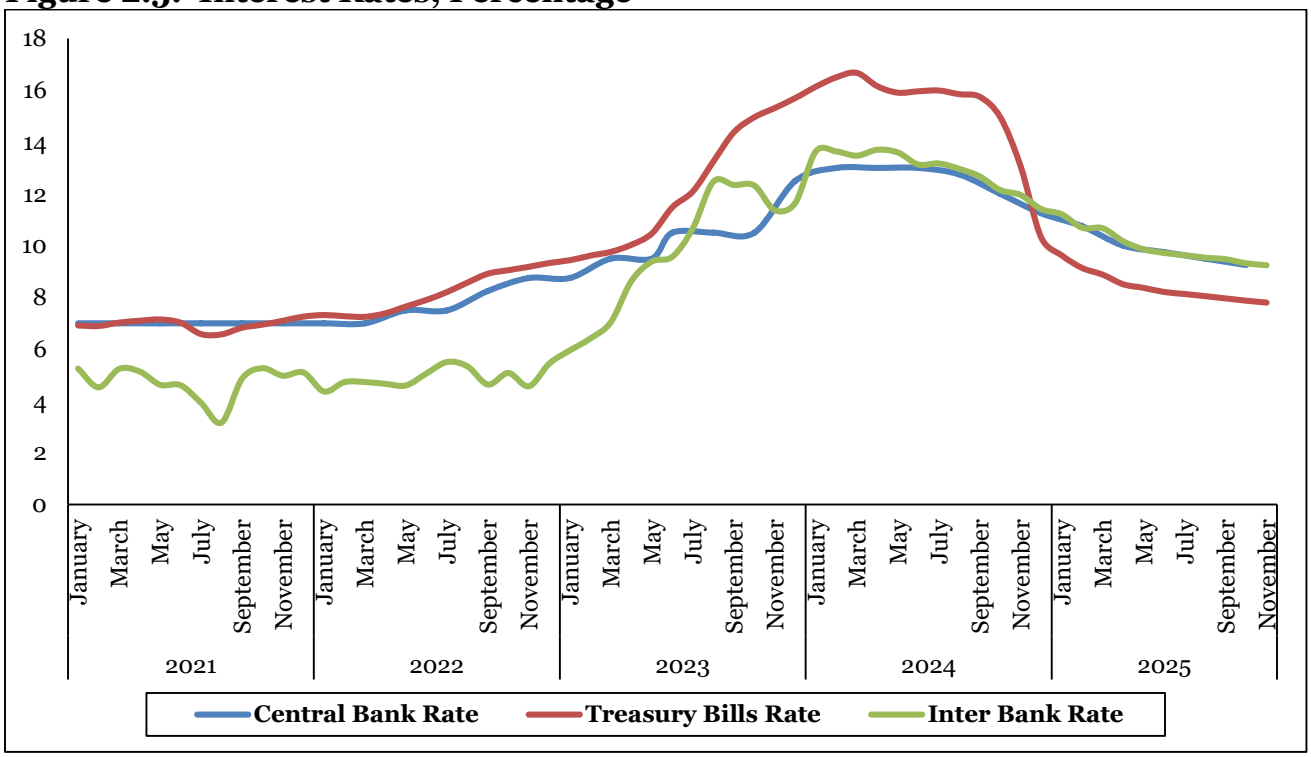
Core inflation increased to 3.0 per cent in August 2025 from 2.2 per cent in August 2024, largely driven by higher prices of processed food items. **Non-core inflation** decreased to 9.2 per cent in August 2025 from 10.3 per cent in August 2024, mainly on account of relatively lower energy prices.

2.3 Monetary Sector

2.3.1 Interest Rates

The Central Bank of Kenya (CBK) through the Monetary Policy Committee (MPC) gradually eased monetary policy by lowering the Central Bank Rate (CBR) from 11.25 per cent in November 2024 to 9.25 per cent in November 2025. This was aimed at stimulating lending by banks to the private sector. Consequently, the interbank rate declined to 9.25 per cent in November 2025 from 11.96 per cent in November 2024 and has remained within the prescribed corridor around the CBR (set at CBR ±75 basis points). The 91-day Treasury Bills rate declined to 7.81 per cent in November 2025 from 11.96 per cent in November 2024 (Figure 2.5).

Figure 2.5: Interest Rates, Percentage

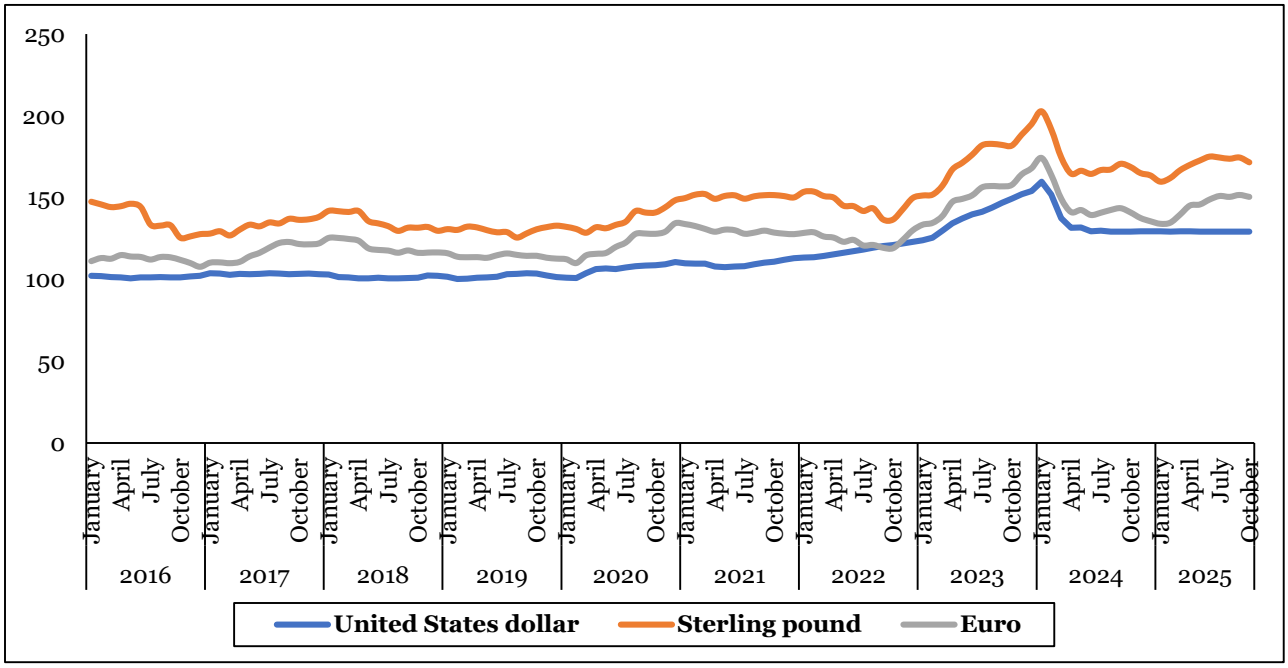


Source of data: CBK

2.3.2 Exchange Rates

The Kenya Shilling remained relatively stable against major international currencies. From October 2024 to October 2025 it remained stable against the US Dollar exchanging at KSh 129.2 (Figure 2.6). However, the Shilling depreciated against the Sterling Pound and the Euro by 1.76 per cent and 10.98 per cent, respectively over the same period. The Sterling Pound exchanged at an average of KSh 171.61 in October 2025, up from KSh 168.64 in October 2024, while the Euro exchange rate averaged KSh 150.44 compared to KSh 135.55 over the same period.

Figure 2.6: Kenya Shilling Exchange Rates



Source of data: CBK

Overall, the foreign exchange market remained well-supported by steady inflows from agricultural exports and diaspora remittances, which cushioned the Shilling against excessive volatility.

3 FISCAL PERFORMANCE

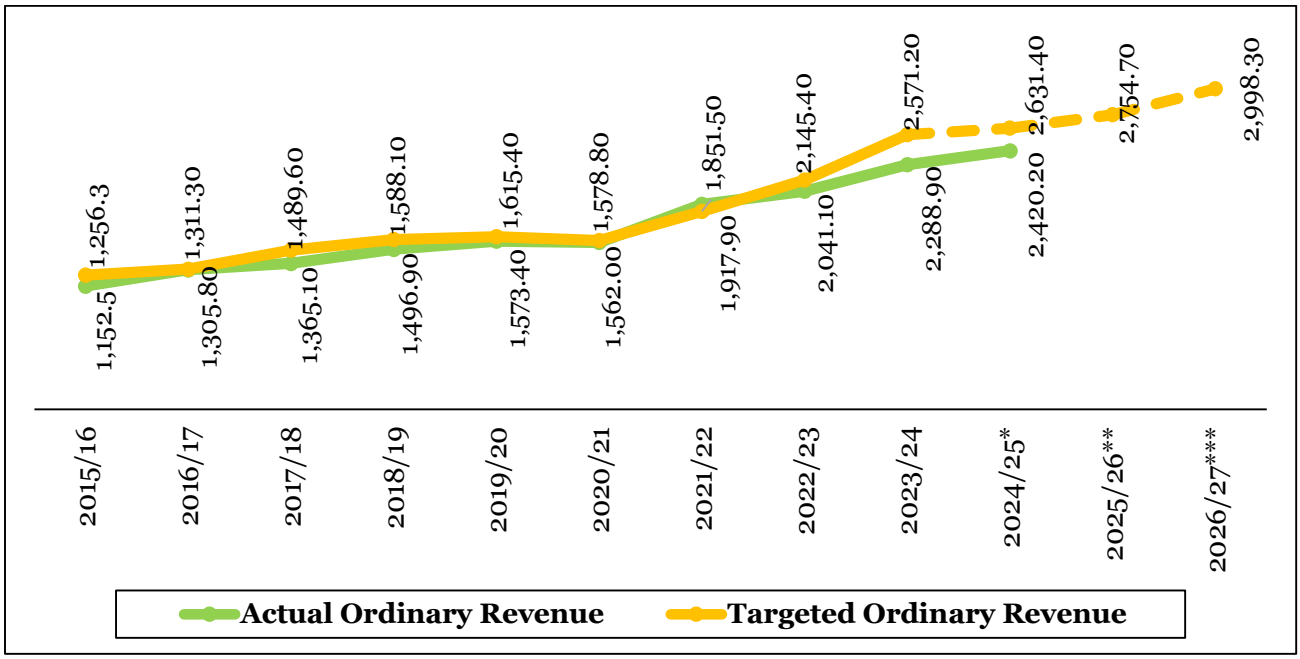
3.1 Introduction

This section analyses the performance of nationally raised revenue (ordinary revenue), national government expenditures and public debt. Further the section analyses county governments' revenues, expenditures and pending bills. The analysis of nationally raised revenues is important in assessing the quantum of revenue available for sharing between the two levels of government.

3.2 Performance of Nationally Raised Revenue

The actual ordinary revenue grew by Ksh.131.3 billion from Ksh. 2,288.9 billion in financial year 2023/24 to Ksh. 2,420.2 billion in the financial year 2024/25 (Figure 3.1). Despite the growth, revenue fell below an initial target of Ksh. 2,631.4 billion in supplementary I budget estimates by Ksh.211.2 billion. The supplementary III budget estimates in the Fourth Quarter further revised the financial year 2024/25 revenue projections to Ksh 2,496.2 billion. The persistent non-performance of revenue against targets affects revenue sharing between the two levels of government, given the allocation to the county governments is locked once the Division of Revenue is assented.

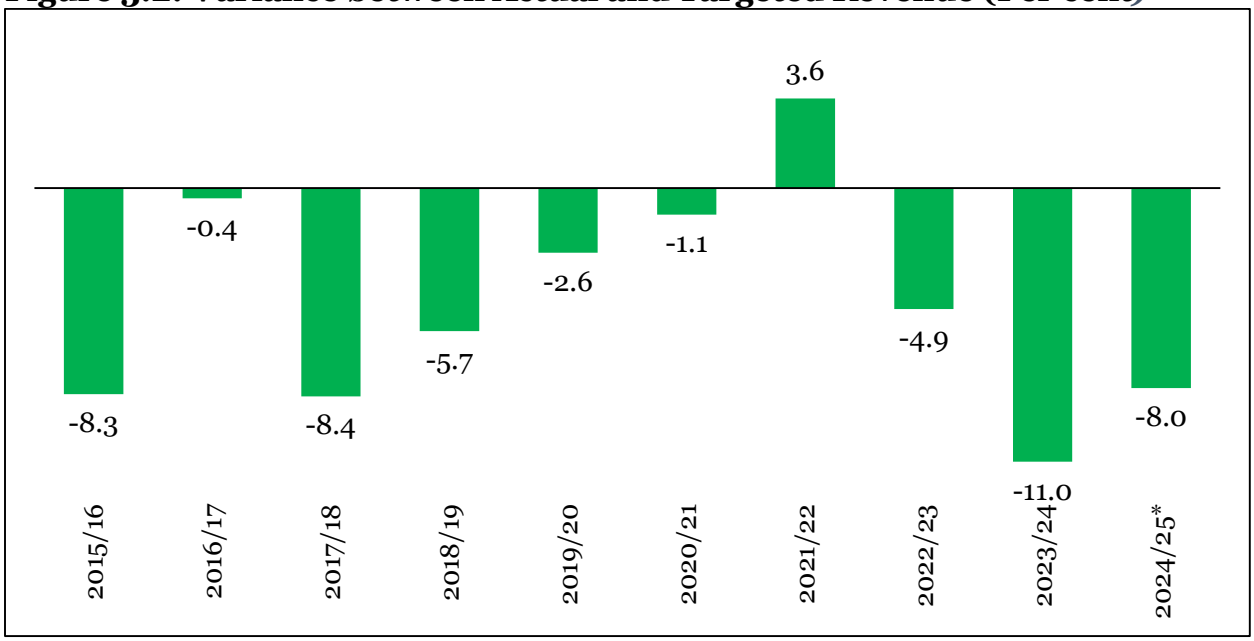
Figure 3.1: Performance of Ordinary Revenue for FYs 2015/16 to 2026/27- Ksh. Billion



Source of data: The National Treasury; * 2025 Prel; **, ***BROP 2025 Projection

The revenue underperformance in the financial year 2024/25 resulted from the withdrawal of the 2024 Finance Bill due to public demand. The Bill contained revenue enhancement measures such as introduction of: motor vehicle circulation tax, eco levy, and Value Added Tax (VAT) on selected financial services. The revenues for the financial years 2025/26 and 2026/27 are projected at Ksh. 2,754.7 billion and 2,998.3 billion, respectively. The realisation of the revenue targets is based on the projected higher economic growth of 5.3 per cent over the two financial years. Although actual revenue collection has been growing year-in-year, it has consistently fallen below the target, with the variance widening significantly in the financial year 2023/24 (Figure 3.2).

Figure 3.2: Variance between Actual and Targeted Revenue (Per cent)



Source of data: The National Treasury; * 2025 Prel

The variance between the actual and target revenue has been attributed to a number of challenges, notably: a small tax base, especially for income tax; shifts in economic activities; large untaxed informal economy and high tax expenditures among others. These challenges have often resulted in regular revisions of the targeted revenue through supplementary budgets, and the Budget Policy Statement (BPS). In the financial year 2024/25 for instance, ordinary revenue was reviewed three times from Ksh. 2,631.4 billion in Supplementary Budget I estimates to Ksh. 2,580.9 in the 2025 BPS and to Ksh. 2,496.2 billion in Supplementary Budget III estimates. The downward revisions of revenue without a corresponding revision in expenditure leads to worsening of the fiscal deficit which leads to increased public debt. These revisions undermine government's fiscal consolidation efforts.

The disaggregation of ordinary revenue by tax heads shows that in the financial year 2024/25, income tax experienced the highest deviation against the target by Ksh. 87.3 billion (Table 3.1). This is attributed to decline in employment and company profits occasioned by nationwide protests in the first and second quarters of the financial year. These factors affected household consumption, Pay as You Earn (PAYE) and corporate tax. Other notable causes of the deviation were: private sector's non-payment of annual bonuses in June 2025; the application of tax refunds by large taxpayers to offset current PAYE tax liabilities by a number of firms; and impact of policy change (adjusting Social Health Insurance Fund (SHIF) and Housing Levy from a relief regime to allowable deductions before tax computation)[1].

Table 3.1: Revenue Performance of the Main Tax Heads, FYs 2022/23 to 2026/27-Ksh.Billion

Tax Head	2022/23			2023/24			2024/25*			2025/26**	2026/27***
	Actual	Target	Deviation	Actual	Target	Deviation	Actual	Target	Deviation	Target	Target
Income Tax	941.6	982.1	-40.6	1,051.50	1,101.40	-49.9	1,093.00	1,180.30	-87.30	1,320.70	1,288.4
VAT	550.4	580.6	-30.2	645.5	654.8	-9.3	660.7	723.8	-63.10	820.3	781.8
Excise duty	264.5	294	-29.5	276.7	290.1	-13.4	292.5	324.8	-32.30	389.6	358.8
Import duty	130.1	142.7	-12.6	133.9	142.4	-8.4	157.1	160	-2.90	201.3	177.2
Other revenue[a]	154.5	146	8.5	72.9	137	-64.2	216.9	242.5	-25.60	286.9	392.1

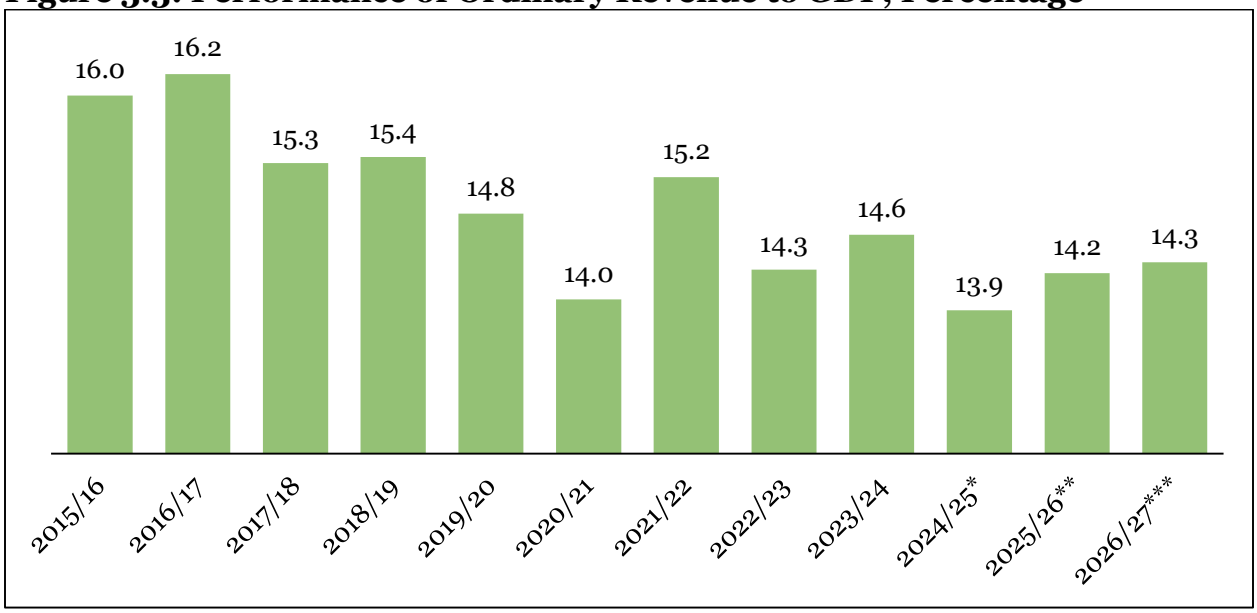
Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection

[a] Other revenue includes: investment revenue, traffic revenue, taxes on international trade & transport, rent on land/buildings, fines and forfeitures, other taxes, loan interest receipts reimbursements and other fund contributions, fees, and miscellaneous revenue

Import duty had the lowest deviation against the target by Ksh. 2.90 billion as a result of a rebound in imports growth due to among others a stable Kenya Shilling. The ordinary revenue as a proportion of the GDP has declined over time from a high of 16.2 per cent in the financial year 2016/17 to 13.9 per cent in 2024/25 (Figure 3.3).

[1] Budget Review and Outlook Paper (BROP) 2025

Figure 3.3: Performance of Ordinary Revenue to GDP, Percentage



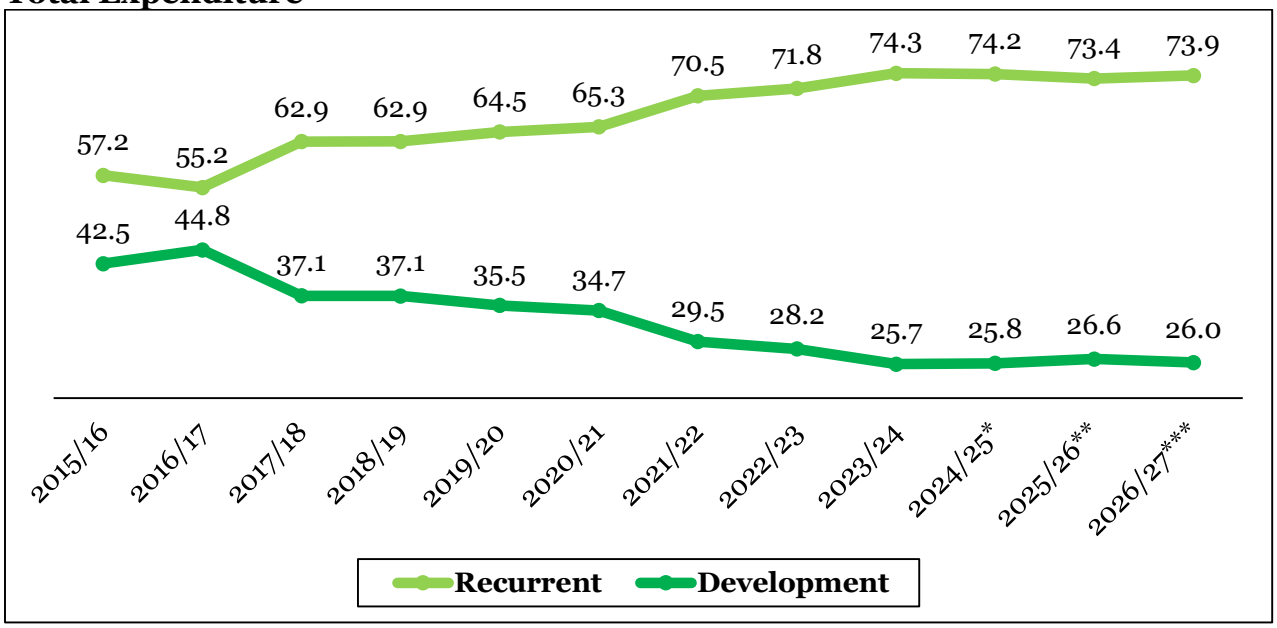
Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection

The ordinary revenue to GDP is below the 20 per cent target set in the Medium-Term Revenue Strategy (MTRS). The continued decline in revenue to GDP signals an increase in the GDP largely from government spending and a significant growth of the hard to tax and low tax sectors namely: informal sector; small-scale subsistence agriculture; and digital economy among others. This is a pointer to the mismatch between real sector policies and fiscal policies in that significant attention and investments has been put in low tax sectors such as informal service sectors while little attention has been given to high tax sectors such as industry.

3.3 Analysis of Expenditure

Recurrent expenditure has been the main driver of overall expenditure as shown in Figure 3.4. While recurrent expenditure rose from 57.2 per cent in the financial year 2015/16 to 74.2 per cent in the financial year 2024/25, development expenditure declined from 42.5 per cent to 25.8 per cent over the same period. The decline in development expenditure is contrary to the Public Finance Management (PFM) Act, Cap. 412A, the PFM (National Government) Regulations, 2015 and prudent management of public resources which requires that over the medium term a minimum of 30 per cent of the national and county governments budget shall be allocated to development expenditure.

Figure 3.4: Recurrent and Development Expenditures as Proportions of Total Expenditure



Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection

Table 3.2 further shows that government fiscal consolidation policies over the years have not yielded much. Notably, there was a persistent reduction in the development expenditure targets in favour of increased recurrent expenditure between the financial years 2022/23 and 2024/25.

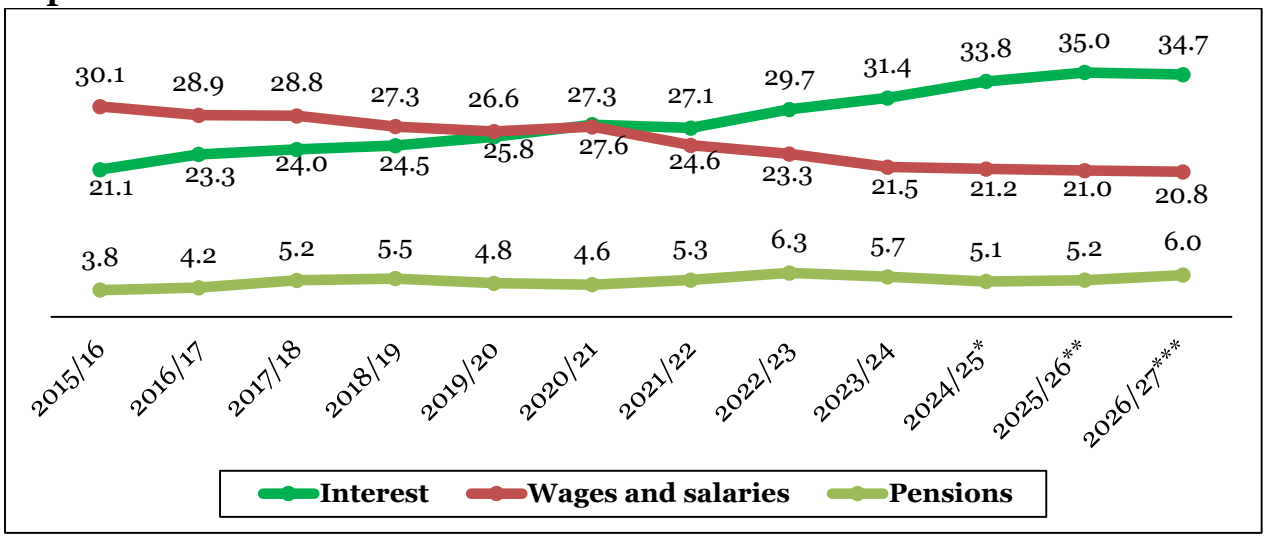
Table 3.2: Budgeted and Actual Recurrent and Development Expenditure- Ksh. Billion

Expenditure	2022/23			2023/24			2024/25*		
	Budget	Actual	Deviation	Budget	Actual	Deviation	Budget	Actual	Deviation
Recurrent	2,271.00	2,311.6	**40.6**	2,536.3	2,678.4	**142.1**	2,841.9	2,948.4	**106.5**
Development	676.6	493.7	**-182.9**	777.8	546.4	**-231.4**	701.5	582.9	**-118.6**

Source of data: The National Treasury

The persistent rise in recurrent expenditure was driven by interest payments (Figure 3.5)

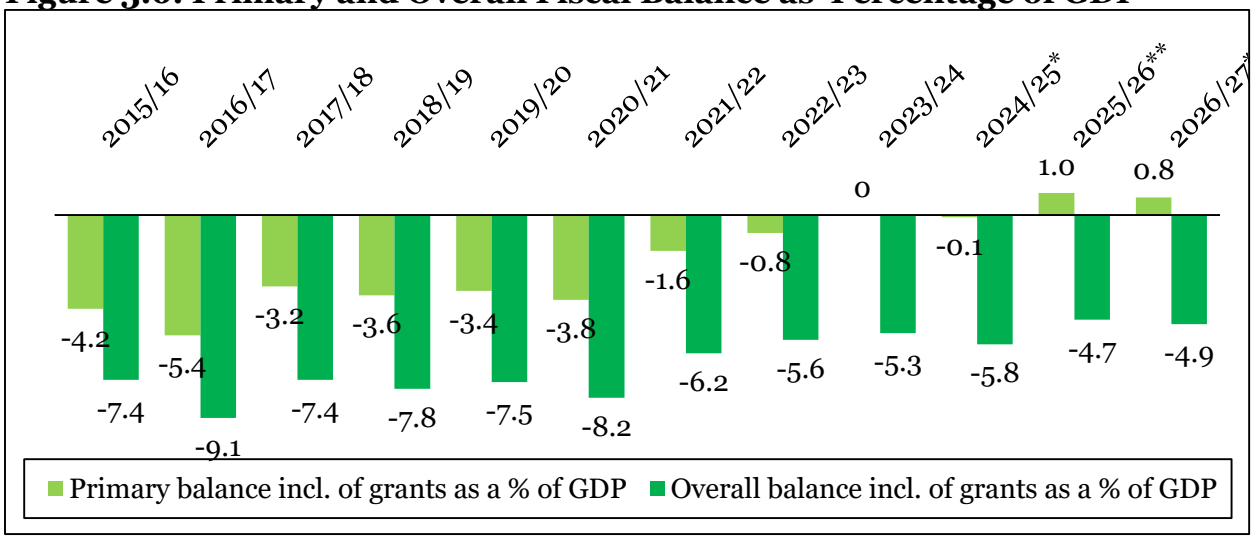
Figure 3.5: Non-Discretionary Expenditures as a Proportion of Recurrent Expenditure



*Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection*

Increased recurrent expenditures occasioned by high interest payments led to the widening of fiscal deficits. As shown in Figure 3.6, the overall fiscal deficit widened from 5.3 per cent of the GDP in the financial year 2023/24 to 5.8 per cent in the financial year 2024/25.

Figure 3.6: Primary and Overall Fiscal Balance as Percentage of GDP



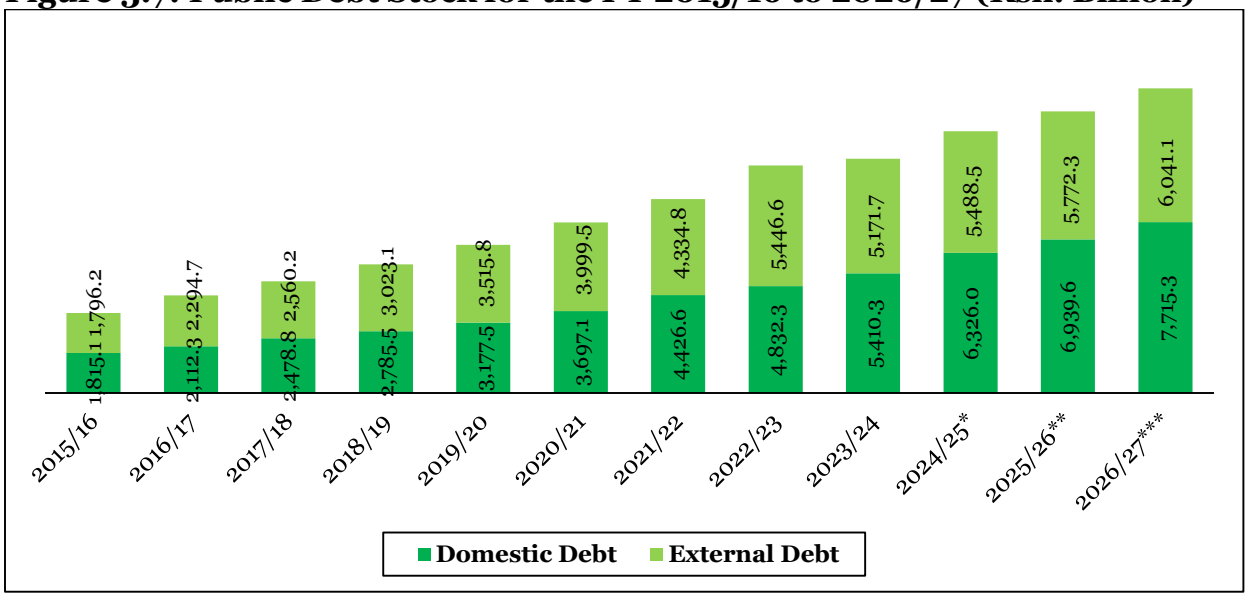
Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection

To contain the overall fiscal balance, the government has put in place policies to support expenditure rationalisation in the medium-term. This will be achieved through continued containment of the wage bill and mobilising funds for major infrastructure projects through public private partnerships.

3.4 Public debt

The stock of public debt was Ksh. 11,814.5 billion as at the end of the financial year 2024/25. Out of this, external debt constituted Ksh. 5,488.5 billion and domestic debt Ksh. 6,326.0 billion. External debt increased by Ksh. 316.8 billion in the financial year 2024/25 from 5,171.7 billion in the financial year 2023/24. In February 2025, The National Treasury successfully issued a new USD1.5 billion Eurobond, which will mature in 2036. The proceeds from this issuance were used to buy back USD 579 million of the USD 900 million Eurobond maturing in 2027[2]. The public debt stock is projected to reach Ksh. 12,711.8 billion by the end of the financial year 2025/26, of which Ksh. 6,939.6.4 billion is domestic and Ksh. 5,772.3.3 billion is external debt (Figure 3.7).

Figure 3.7: Public Debt Stock for the FY 2015/16 to 2026/27 (Ksh. Billion)

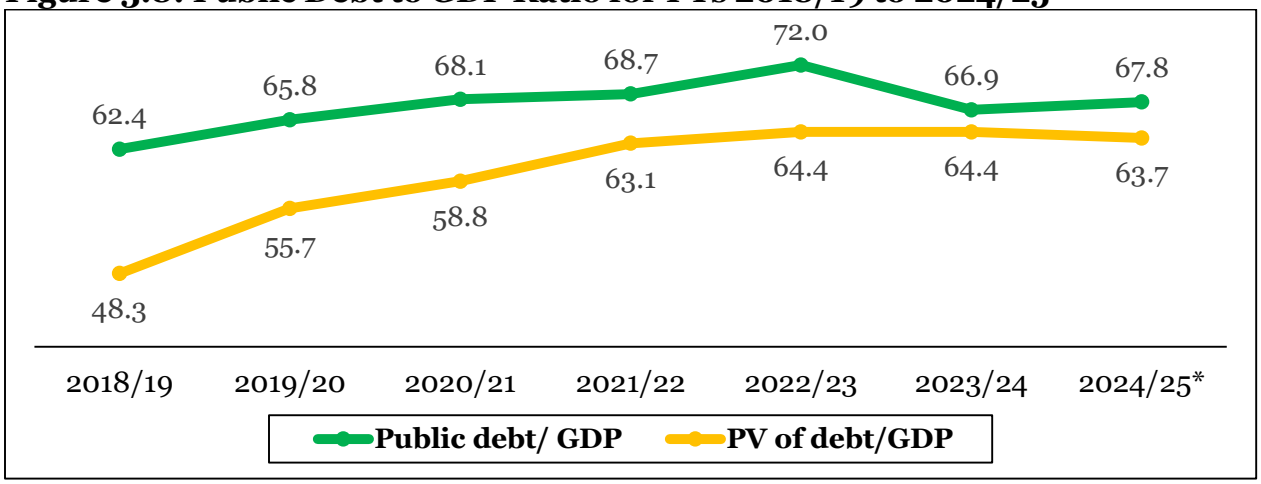


Source of data: The National Treasury; * 2025 Prel; **, ***BROP, 2025 Projection

Public debt as a percentage of the nominal GDP increased from 66.9 per cent in the financial year 2023/24 to 67.8 per cent in 2024/25. In Present Value (PV) terms, the public debt to GDP decreased from 64.4 per cent to 63.7 per cent during the same period (Figure 3.8). The current ratio of PV of debt to GDP of 63.7 per cent is above the 55 per cent benchmark for Kenya, which is rated at medium debt-carrying capacity[3]. The National Treasury has until 1st November 2028 to bring down the present value of public debt to within the threshold[4].

[2] Annual public debt report 2024/25
[3] International Monetary Fund rating
[4] 2025 Medium Term Debt Management Strategy

Figure 3.8: Public Debt to GDP Ratio for FYs 2018/19 to 2024/25



Source of data: The National Treasury; * 2025 Prel

The disaggregation of the stock of public debt into domestic and external shows that the structure of domestic debt is in favour of the long-term Treasury Bonds. This constituted over 80 per cent of the total stock of domestic debt between the financial years 2021/22 and 2024/25 (Table 3.3). The longer maturity periods for the Treasury Bonds spread their redemption over many years which is in line with the government's objective of managing refinancing risks. Despite this long-term structural shift toward Treasury bonds, the sharp rise in Treasury bill issuance from 11.4 per cent in June 2024 to 16.4 per cent issuance in June 2025 highlights persistent short-term refinancing pressures.

Table 3.3: Domestic Debt Composition, percentage, 2020 to 2025

Domestic Debt*	June 2020	June 2021	June 2022	June 2023	June 2024	June 2025+
Treasury Bonds	69.8	77.1	82.4	83.1	85.5	80.8
Treasury Bills	27.9	20.7	14.5	12.7	11.4	16.4
Pre-1997 Government Debt	0.7	0.5	0.4	0.4	0.3	0.3
Others*	1.6	1.7	2.6	3.8	2.7	2.6
Total	**100**	**100**	**100**	**100**	**100**	**100**

*Source of data: The National Treasury; 2025 Preliminary; *others include, IMF on lent loans, bank advances and CBK overdraft*

Classification of domestic debt by investor category depicts a dominance by commercial banks. In the financial year 2024/25, commercial banks held 37.4 per cent of the total domestic debt, this was an increase from 32.7 percent held in the financial year 2023/24 (Table 3.4). While commercial banks holding of domestic debt provides stability in government financing, it may also contribute to the crowding out of private sector credit, with potential implications for private investment and economic growth.

Table 3.4: Domestic Debt by Investor Category (%), 2021 to 2025

Investor	June 2021	June 2022	June 2023	June 2024	June 2025+
Banks					
Commercial Banks	49.0	47.1	43.4	29.5	34.7
Central Bank	2.4	2.0	4.1	3.1	2.7
Non-Banks					
Trust and Pension Funds	30.7	32.7	32.8	13.9	14.1
Insurance Companies	6.7	7.2	7.2	12.7	12.6
Government Parastatals				17.2	13.8
Households				6.2	6.0
Non-Residents				6.0	4.4
Other Investors*	11.3	11.0	12.6	11.4	11.5
Total	100	100	100	100	100

*Source of data: The National Treasury; +Provisional; * other investors include: private companies, Savings and Credit Cooperative Organisation (SACCOs), investment banks, money market funds, and other organisations*

The share of domestic debt held by pension funds increased slightly from 13.9 per cent in the financial year 2023/24 to 14.1 per cent in 2024/25. The classification of domestic debt by investor category reflects a gradual diversification of the investor base, this is important in enhancing market resilience and reducing concentration risks, thereby supporting the stability and efficiency of the domestic debt market

The composition of external debt has shifted from commercial debt to concessional multilateral financing in line with the government's policy of reducing refinancing risk. Multilateral lenders held 55.5 per cent of the total external debt as at the end of June 2025, while commercial debt (including International Sovereign Debt) which attracts high interest rates and stringent repayment terms constituted 24.1 per cent within the same period (Table 3.5).

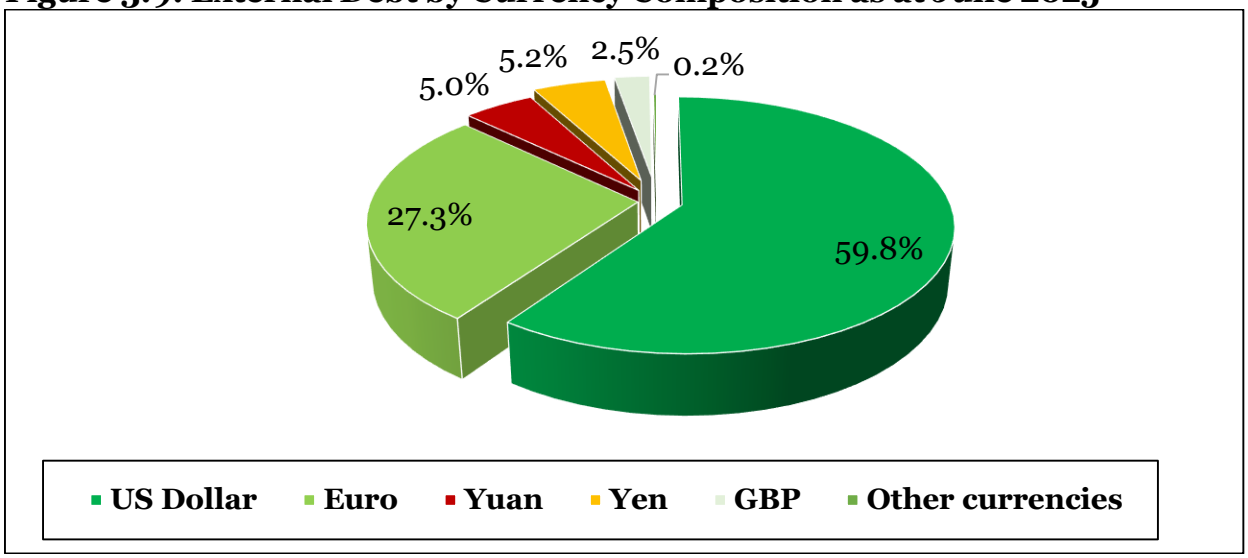
Table 3.5: External Debt Composition, Percentage, 2021 to 2025

External Debt	June 2021	June 2022	June 2023	June 2024	June 2025+
Multilateral	41.5	44.7	48.7	53.9	55.5
Bilateral	28.5	27.2	24.6	22.5	20.2
Commercial	29.7	27.8	26.4	23.3	24.2
O/W ISB holders	*19.2*	*19.4*	*18.3*	*16.5*	*18.6*
Suppliers' Credit	0.3	0.3	0.3	0.3	0.3
Total	**100**	**100**	**100**	**100**	**100**

Source of data: The National Treasury; +Provisional

The share of external debt held by the dominant currency-the US Dollar was 59.8 per cent as at June 2025. Euro denominated debt comprised of 27.3 per cent of the total external debt, while other currencies accounted for 0.2 per cent (Figure 3.9).

Figure 3.9: External Debt by Currency Composition as at June 2025



Source of data: The National Treasury

The Debt Sustainability Analysis (DSA) indicates that Kenya's external public debt faces a heightened risk of debt distress. Only the PV of the external debt to GDP ratio is below the 40 per cent sustainability threshold. The country has breached all other external debt sustainability thresholds, namely: the PV of Public and Publicly Guaranteed (PPG); external debt-to-exports; debt service to exports and debt service to revenue ratio (Table 3.6)

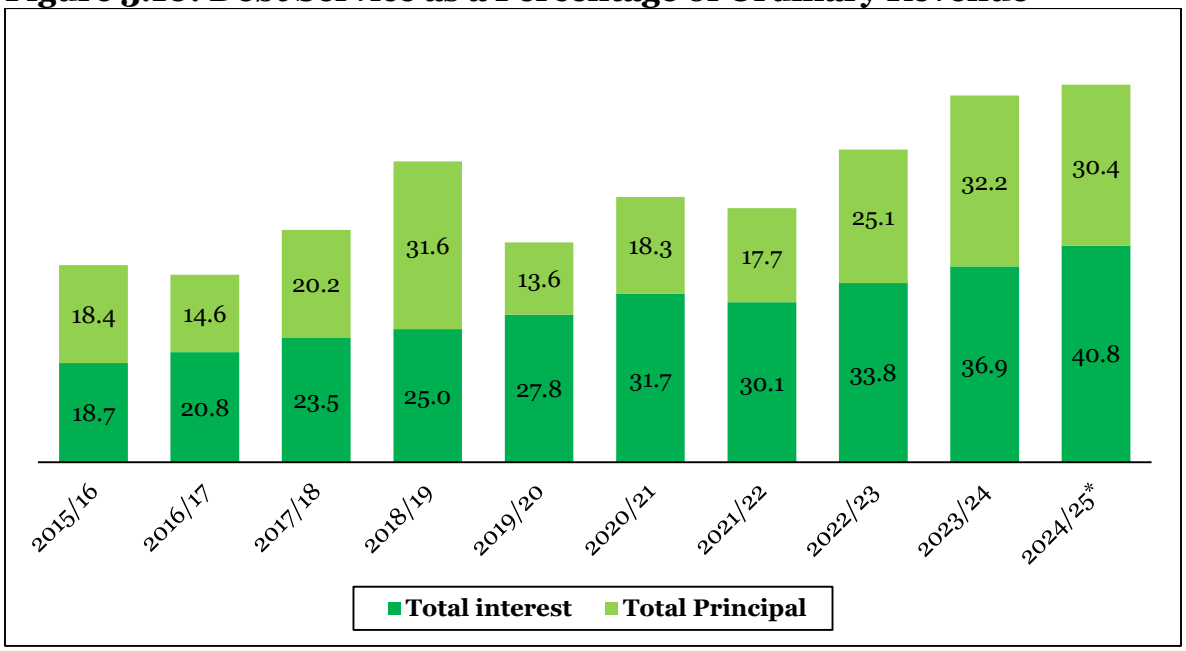
Table 3.6: External Debt Sustainability, 2023 to 2028

Indicators	Thresholds	2023	2024	2025*	2026*	2027*	2028*
PV of debt–to- GDP ratio	40	32.1	29.8	30.4	31.0	29.5	28.1
PV of debt-to-exports ratio	180	274.8	274.2	260.2	241.9	222.3	208.1
PPG Debt service- to-exports ratio	15	26.9	40.5	31.9	29.8	27.3	27.0
PPG Debt service-to-revenue ratio	18	18.8	25.2	20.6	20.4	18.9	18.6

*Source of data: The National Treasury; * projections*

Kenya's public debt servicing obligations have grown significantly over the past ten years. This increase reflects both rising principal repayments and interest. Total debt service (interest and principal) as a proportion of ordinary revenue rose from 69.1 per cent in the financial year 2023/24 to 71.2 per cent in 2024/25. Out of this interest payments to ordinary revenue constituted 40.8 per cent while principal repayments comprised 30.4 per cent of the revenues (Figure 3.10). The rise was attributed to prevailing high interest rates and depreciation of the Kenya Shillings against major currencies during this period.

Figure 3.10: Debt Service as a Percentage of Ordinary Revenue



Source of data: The National Treasury; * 2025 Prel.

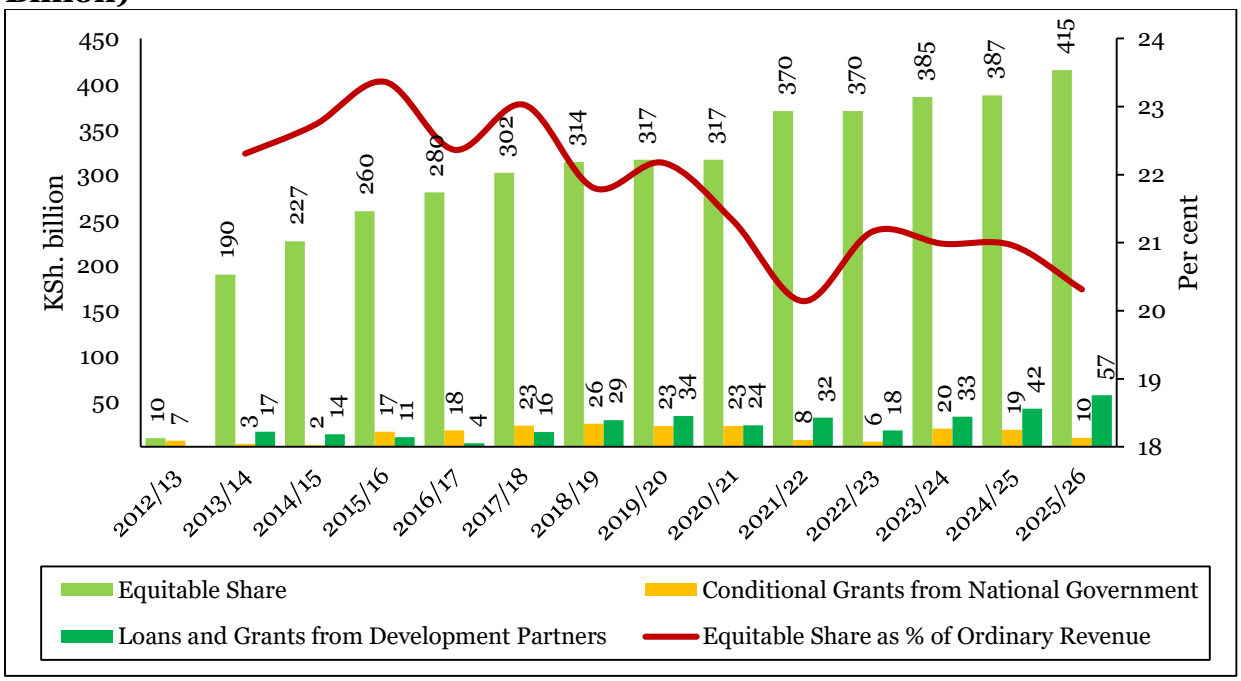
The continued increase in the stock of public debt and the cost of servicing affect the quantum of revenues available for sharing between the national and county governments.

4 COUNTY GOVERNMENTS FISCAL FRAMEWORK

4.1 County Revenues

Revenues to county governments consist of four main sources: equitable share, conditional grants, Own Source Revenue (OSR) and borrowing. From the financial years 2012/13 to 2025/26, county governments have been allocated revenues amounting to Ksh. 4,671.6 billion. The revenues comprise of equitable share of Ksh. 4,143.4 billion, conditional grants from national government of Ksh. 203.5 billion, and loans and grants from development partners of Ksh. 324.7 billion. Figure 4.1 presents a breakdown of the total annual allocation.

Figure 4.1: Total County Allocations for FYs 2012/13 to 2025/26 (Ksh. Billion)



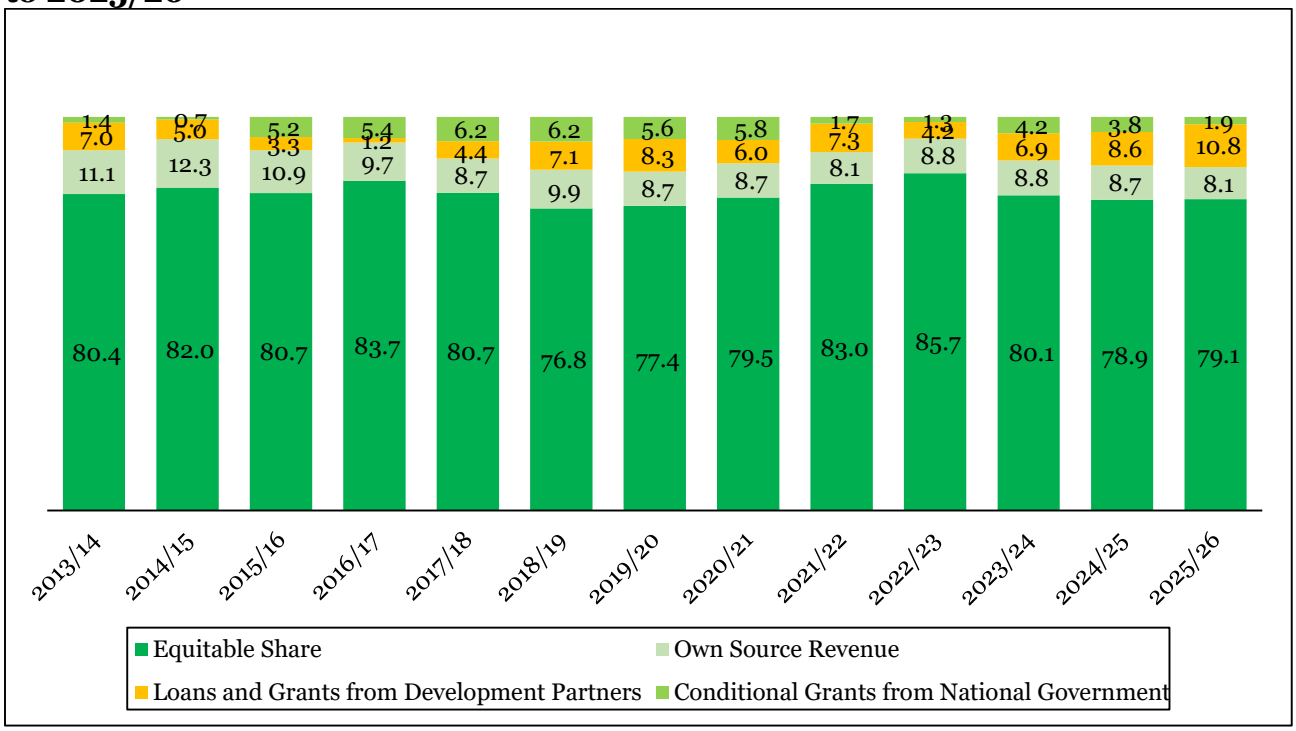
Source of Data: Controller of Budget

i. Equitable Share

County governments receive an equitable share allocation from revenue raised nationally in accordance with Article 202(1). Although equitable share allocation has grown in absolute terms over time, it has been declining as a proportion of ordinary revenue (Figure 4.1). The equitable share allocation has, nonetheless remained within the provision of Article 203 (2) that requires that the equitable share allocated to county governments every financial year shall be not less than fifteen per cent of all revenue collected by the national government.

On average, the equitable share allocation constituted 80.6 per cent of total county revenue for the financial years 2013/14 to 2025/26 as shown in Figure 4.2. The conditional grants from national government, and loans and grants from the development partners constituted 3.8 per cent and 6.2 per cent, respectively over the same period. In addition, the contribution of OSR to total county revenue averaged 9.4 per cent of total county revenues.

Figure 4.2: Proportion of County Governments' Revenues (%), FY 2013/14 to 2025/26



Source of Data: Controller of Budget
**OSR for financial year 2025/26 is a projection*

ii. Conditional Grants

Conditional grants to county governments are derived from two sources: the national government and development partners. The conditional grants from the national government supplement financing in health and education sectors, as well as roads, trade and agriculture subsectors. County governments have been allocated conditional grants amounting to Ksh. 203.5 billion from the financial year 2012/13 to 2025/26 (Table 4.1).

In the financial year 2025/26, county governments were provided with a new conditional allocation of Ksh. 1.76 billion for payment of basic arrears of county health workers.

Table 4.1: Summary of National Government Conditional Grants, Ksh. Billion

Financial Year	2013-17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
Level 5 Hospitals	20	4.2	4.3	4.3	4.3						**36.7**
Compensation for User Fees Foregone	1.8	0.9	0.9	0.9	0.9						**5.4**
Leasing of Medical Equipment	9	4.5	9.4	6.2	6.2	7.2	5.2	5.9			**53.6**
Road Maintenance Levy Fund (RMLF)	7.6	11.1	8.3	8.9	9.4				10.5	0	**55.8**
Construction of County Headquarters	0	0.6	0.6	0.49	0.3	0.3	0.45	0.5	0.52	0.45	**4.2**
Development of Youth Polytechnics	0	2	2	2	2						**8.0**
Free Maternal Health Care	8.4										**8.4**
Medical Grant	0.2										**0.2**
County Aggregation & Industrial Parks (CAIPs)Programme	0							4.7	4.5	4.5	**13.7**
Provision of Fertilizer Subsidy Programme	0							5		0	**5.0**
De-risking and Value Enhancement (drive)	0							2.2		0	**2.2**
Kenya Marine Fisheries and Socio-Economic Development (KEMSFED)	0							0.3		0	**0.3**
Livestock Value Chain Support Project	0							1.6			**1.6**
Transfer of Museums	0								0.03	0	**0.03**
Community Health Promoters (CHPs) Project	0								3.32	3.23	**6.6**
Payment of Basic Arrears of County Health Workers	0									1.76	**1.8**
Total Conditional Transfer	**47**	**23**	**26**	**23**	**23**	**8**	**5.7**	**20.2**	**18.9**	**9.95**	**203.5**

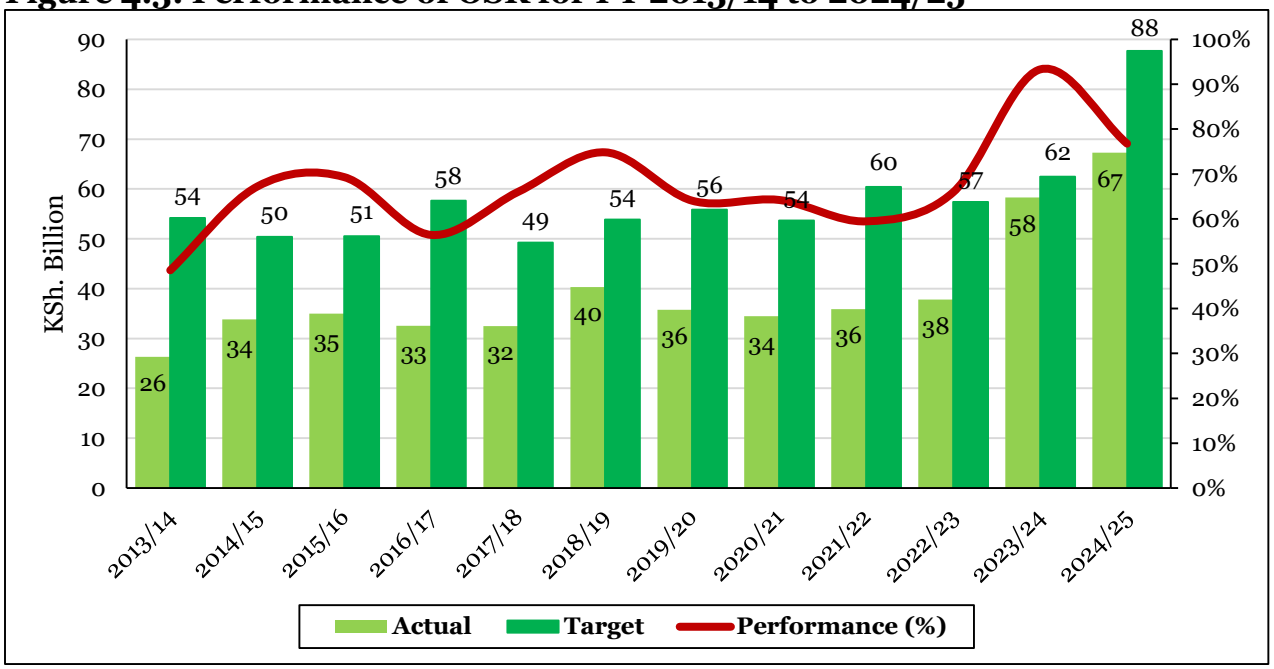
Source of data: CARA various issues, County Government Additional Allocation Bill 2025

Conditional grants and loans from development partners are earmarked for financing health, agriculture, urban development, water and sanitation, social protection, climate change and capacity building programmes as summarised in Appendix I. In the financial year 2025/26, county governments will be provided with three new additional funds totaling Ksh. 18.65 billion. Out of this, Ksh. 13.04 is meant for Kenya Devolution Support Programme II, level 2 grant, Ksh. one billion is for Kenya Informal Settlement Improvement Project (KISIP II) while Ksh. 4.6 billion is for Kenya Water Sanitation and Hygiene (K-WASH) programme.

iii. Own Source Revenue

County governments raise OSR from property rates, entertainment taxes, any other tax that they are authorised to impose by an Act of Parliament and charges for the services they provide in line with Article 209(3) and (4). In total, county governments have raised Ksh. 469 billion in OSR between the financial years 2013/14 and 2024/25 against a target of Ksh. 693 billion, as shown in Figure 4.3. This translates to an annual average collection of 67.7 per cent of the target. In the financial year 2024/25 county governments collected OSR[5] of Ksh. 67.3 billion. Out of this amount, Ksh. 42.7 billion was ordinary revenue, which is similar to what they collected in FY 2023/24. The increase in OSR collection over the last two financial years, has therefore been attributed to collections from the Facility Improvement Fund (FIF) which is mainly collected from hospital fees. It is notable, however, that in all the financial years, the OSR collection has fallen below target.

Figure 4.3: Performance of OSR for FY 2013/14 to 2024/25



Source of Data: Controller of Budget

The underperformance in OSR collection has been attributed to among others; unrealistic targets set by the county governments and use of manual revenue collection systems. This leads to budget deficits, which negatively affects implementation of planned activities and accumulation of pending bills.

[5] Total OSR comprises of ordinary revenue and Facility Improvement Fund, which is the money collected from user fees and retained by health facilities for purpose of defraying the costs of running these facilities, in line with the Facilities Improvement Financing Act, 2023.

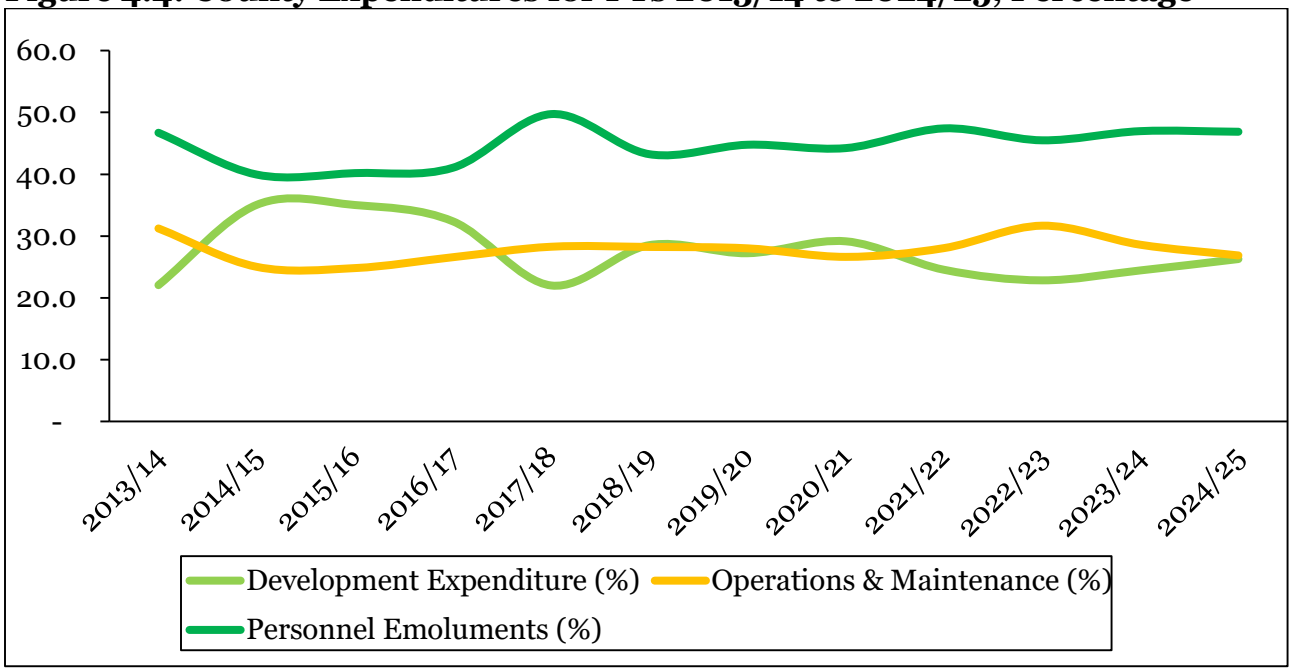
iv. Additional Unconditional Grants

The county governments where mining activities are taking place have been allocated additional unconditional grants in form of mineral royalties amounting to Ksh. 2.93 billion for the financial year 2025/26. Additionally, ten county governments will receive Ksh. 11.5 million in the financial year 2025/26 as revenue from court fines and fees.

4.2 County Expenditure Performance

Over the last five financial years, the county governments' average annual expenditure was Ksh. 429 billion. This comprised of Ksh. 320 billion (74.6%) in recurrent and Ksh. 109 billion (25.4%) in development expenditure. A larger proportion of the county governments' recurrent expenditure is on personnel emoluments as shown in Figure 4.4.

Figure 4.4: County Expenditures for FYs 2013/14 to 2024/25, Percentage

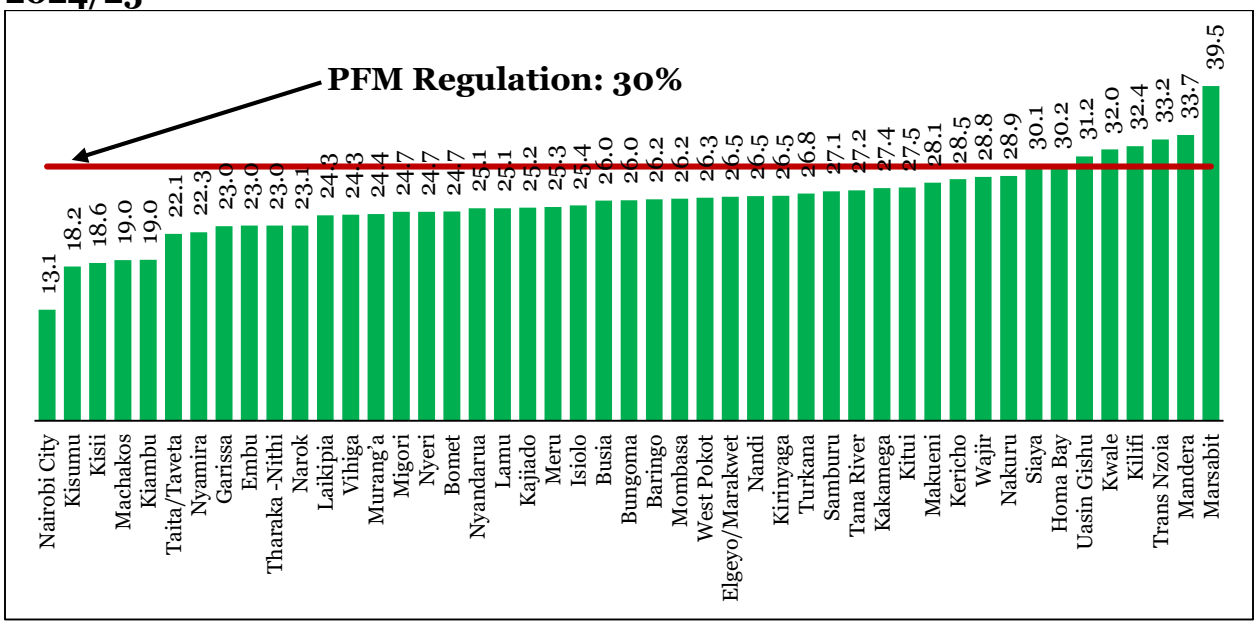


Source of Data: Controller of Budget

A majority of county governments have been unable to meet the PFM Act Cap 412A requirements on wage bill and development expenditure. Since the FY 2013/14, their proportion of personnel emoluments to total expenditure has remained high whereas the proportion of development to total expenditure has remained low. Section 107 of the PFM Act Cap 412A requires county governments to allocate a minimum of 30 per cent of their total budget to development expenditure and at most 35 per cent on the wage bill.

The county governments' actual development expenditures over the five-year period from 2020/21 to 2024/25 averaged 25.4 per cent. There are eight county governments whose actual development expenditures were above 30 per cent as shown in Figure 4.5. Marsabit County Government had the highest development expenditure at 39.5 per cent. Nairobi City County Government had the lowest development expenditure of 13.1 per cent over the period, followed by Kisumu and Kisii county governments at 18.2 and 18.6 per cent, respectively.

Figure 4.5: Average Development Expenditure (%) for FYs 2020/21 to 2024/25

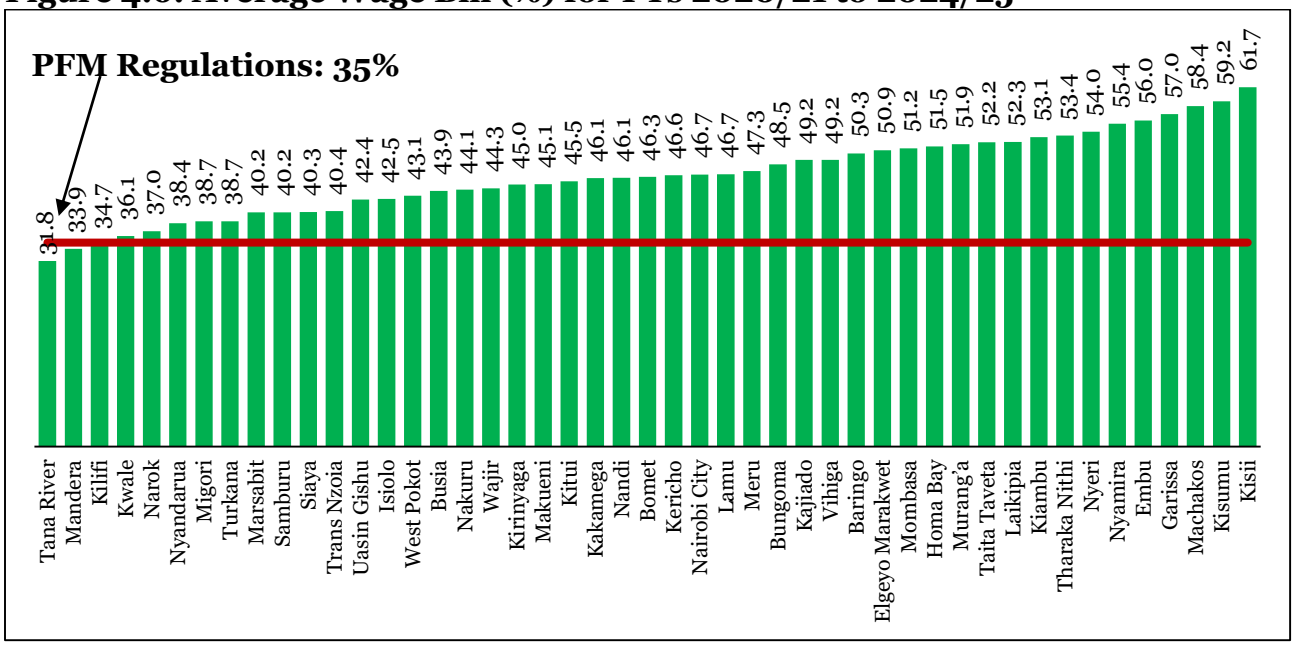


Source of Data: Controller of Budget

During budgeting all county governments adhere to the fiscal responsibility principle of allocating 30 per cent of their budgets to development. However, majority of the county governments fail to adhere to the requirement on development expenditure during budget implementation.

During the financial years 2020/21 to 2024/25, a significant proportion of most county government's recurrent expenditure was on wage bill. Only three county governments, namely: Tana River; Mandera; and Kilifi had their personnel emoluments within the PFM Act, CAP 412A threshold of 35 per cent as shown in Figure 4.6.

Figure 4.6: Average Wage Bill (%) for FYs 2020/21 to 2024/25



Source of Data: Controller of Budget

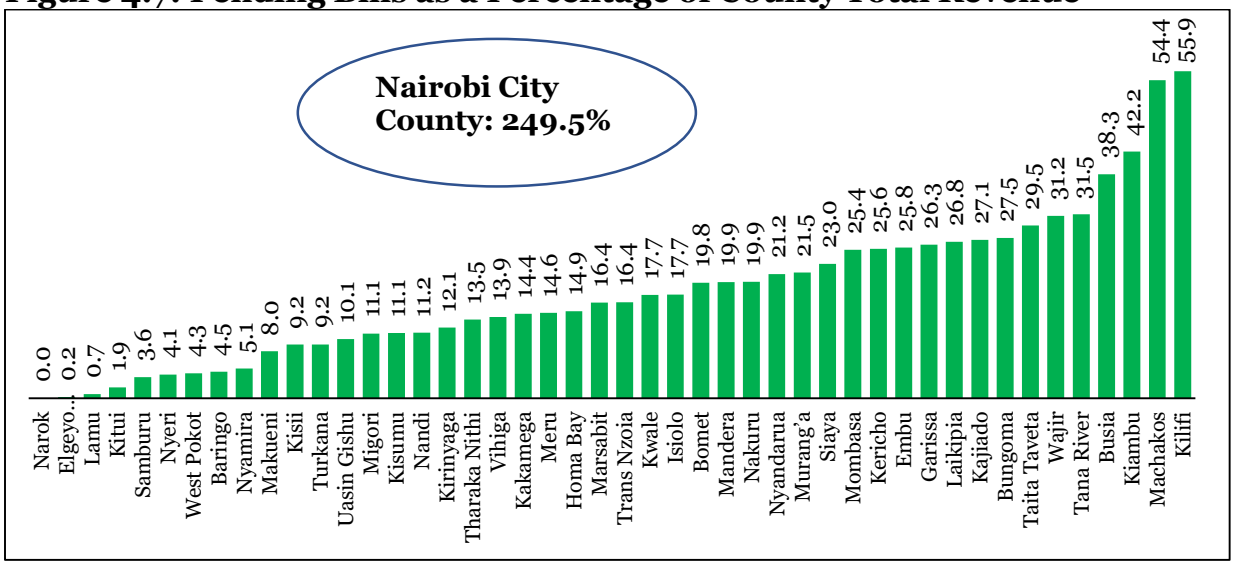
Kisii County had the highest expenditure on personnel emoluments at 61.7 per cent followed by Kisumu (59.2%) and Machakos (58.4%). The failure of most counties to adhere to the wage bill threshold has arisen due to among others the engagement of CHPs, use of manual pay roll which is prone to abuse, non-regulation of staff engagement on contract and casual workers and failure to observe strict compliance with the approved staff establishment.

4.3 County Pending Bills

Cumulative pending bills for the county governments as at June 30, 2025 were Ksh. 176.9 billion (Appendix II). The accumulation has mainly been attributed to the underperformance of OSR and non-prioritisation of payments by county governments. The pending bills comprised of Kshs.171.7 billion (97.1%) by the county executive and Kshs.5.2 billion (2.9%) by county assemblies. Nairobi City County accounted for the highest pending bill of Ksh. 86.8 billion equivalent, to 49.9 per cent of the total stock of pending bills. Other county governments with high pending bills are Kilifi (Ksh. 9.3 billion), Kiambu (Ksh. 7.9 billion), Machakos (Ksh. 6.7 billion) and Mombasa (Ksh. 3.9 billion).

Further analysis of pending bills show that 17 county governments have pending bills above 20 per cent of their total revenue as shown in Figure 4.7. Nairobi City County has the highest proportion of pending bills at 249.5 per cent followed by Kilifi and Machakos county governments at 55.9 and 54.4 per cent, respectively.

Figure 4.7: Pending Bills as a Percentage of County Total Revenue

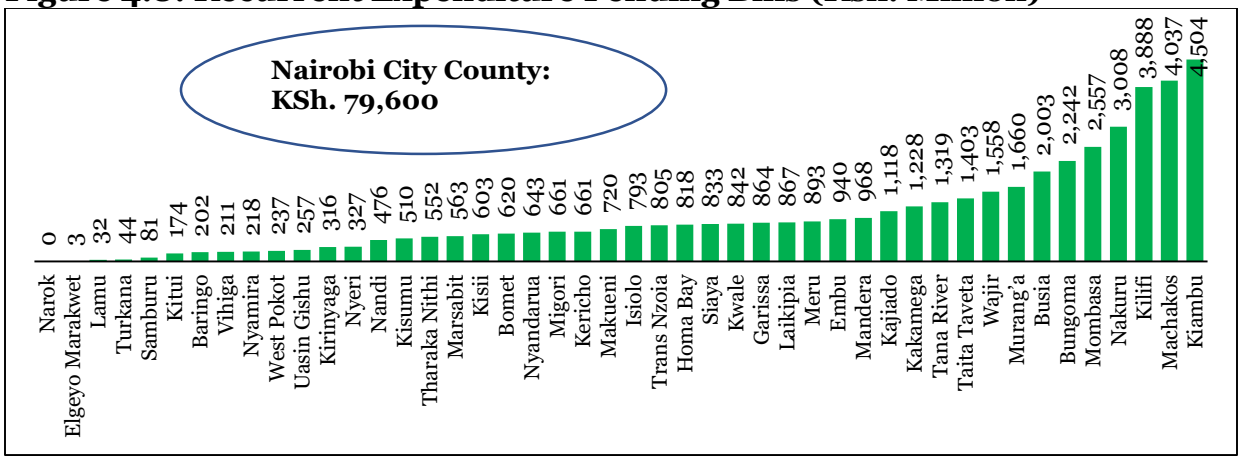


Source of Data: Controller of Budget

There are three county governments namely Narok, Elgeyo/Marakwet and Lamu whose proportions of pending bills to total revenue are below one per cent.

As at June 2025, recurrent and development expenditure pending bills accounted for 71.7 per cent (Ksh. 126.9 billion) and 28.3 per cent (Ksh. 50.0 billion), respectively (Figure 4.8). Nairobi City County had the highest recurrent pending bill at Ksh. 79.6 billion.

Figure 4.8: Recurrent Expenditure Pending Bills (Ksh. Million)

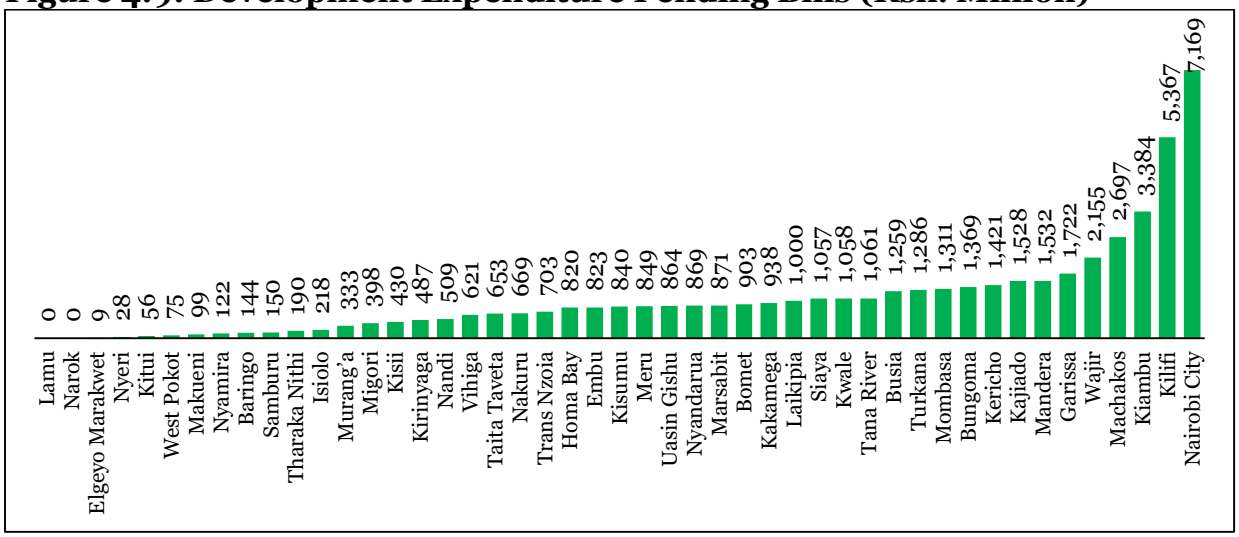


Source of data: Controller of Budget

Narok County Government had nil recurrent pending bills while Kiambu and Machakos county governments had Ksh. 4.5 billion and Ksh. 4.04 billion, respectively.

The development expenditure pending bills by county is presented in Figure 4.9. Nairobi City County had the highest development pending bill at Ksh. 7.2 billion while Narok and Lamu county governments had nil.

Figure 4.9: Development Expenditure Pending Bills (Ksh. Million)



Source of data: Controller of Budget

The accumulation of pending bills by county governments has a negative effect on the suppliers of goods and services. County governments should therefore prioritise the payments of the pending bills.

5 RECOMMENDATION ON SHAREABLE REVENUE ALLOCATION

Article 202(1) stipulates that the nationally raised revenue shall be shared equitably between the national and county governments. The shareable revenue is defined in the Constitution and Section 2 of the CRA Act, 2011 as:

"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[6] referred to under Articles 206(1)(a)(b) and 209 (4) of the Constitution".

The performance of ordinary revenue is summarised in Table 5.1

Table 5.1: Performance of Ordinary Revenue and Allocation for the FYs 2013/14 to 2026/27, Ksh. Billion

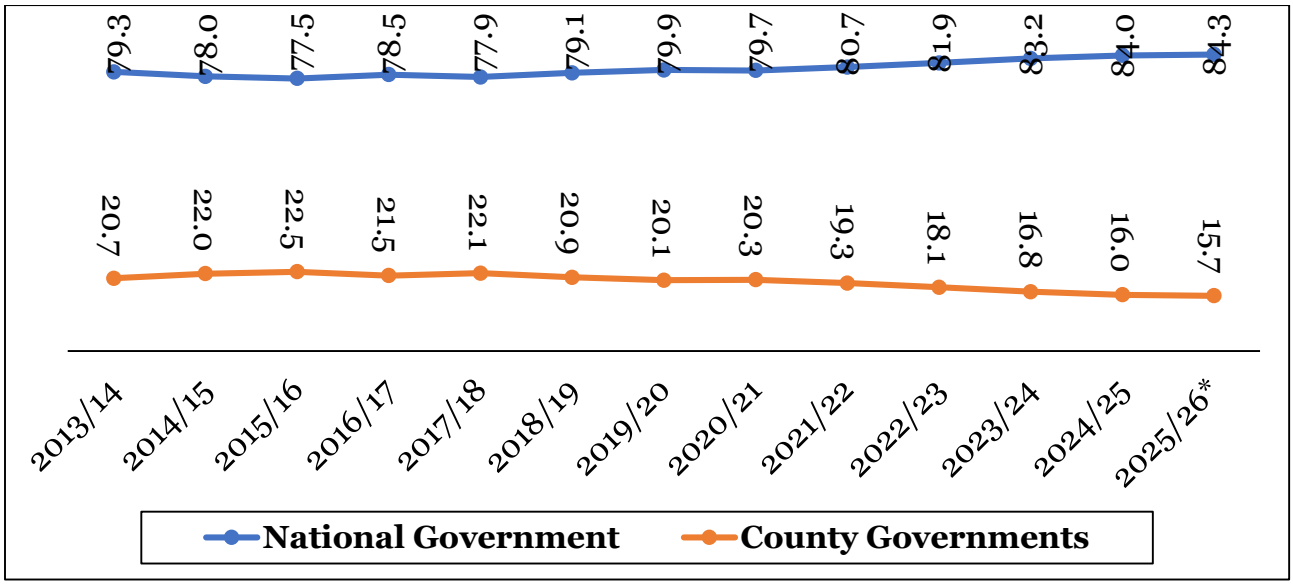
Year	Projected Ordinary Revenue	Actual Ordinary Revenue	Percentage increment	Revenue Shortfall	County Allocation	National Government Allocation
2013/14	939	919		(20)	190	729
2014/15	1,040	1,032	12.3	(8)	227	805
2015/16	1,256	1,153	11.7	(104)	260	893
2016/17	1,394	1,307	13.4	(87)	280	1,026
2017/18	1,561	1,365	4.5	(196)	302	1,063
2018/19	1,701	1,500	9.9	(201)	314	1,186
2019/20	1,871	1,573	4.9	(298)	317	1,257
2020/21	1,857	1,562	-0.7	(295)	317	1,246
2021/22	1,776	1,918	22.8	142	370	1,548
2022/23	2,142	2,041	6.4	(101)	370	1,671
2023/24	2,461	2,289	12.1	(172)	385	1,904
2024/25	2,631	2,420	5.7	(211)	387	2,033
2025/26*	2,640	2,640	9.1	-	415	2,225
2026/27**	2,982		13.0			

*Source of data: National Treasury, DORA, CRA; *projected*

Analysis of data presented in Table 5.1 reveal that though revenues have performed below targets, the revenues have been growing year on year. Nonetheless, the sharing of revenue has been in favour of the national government. Overtime, the proportion of revenue allocated to the national government has substantially increased as the proportion allocated to county governments continued to shrink. This is shown in Figure 5.1

[6] Art. 206(1)(a)(b) refers to revenues excluded from the Consolidated Fund by an Act of Parliament and payable into another public fund established for a specific purpose; or may, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ. Art 209(4) refers to revenues from charges for services provided by either level of government.

Figure 5.1: Sharing of Revenues between the National and County Governments



Source: CRA

The revenues for the financial years 2025/26 and 2026/27 are projected at KSh. 2,639.7 billion and 2,982.3 billion respectively. The realisation of the revenue targets is based on expected macroeconomic stability that underpins a projected higher economic growth of 5.3 per cent over the over the medium term, low inflation and a stable exchange rate.

i. Recommendation on Shareable Revenue Allocation for Financial Year 2026/27

The shareable revenue is projected to increase from Ksh. 2,639.7 billion in the financial year 2025/26 to Ksh. 2,982.3 billion in financial year 2026/27. This translates to an absolute revenue increment of Ksh. 342.6 billion. The Commission recommends that Ksh. 2,513.76 billion be allocated to the national government and Ksh. 458.74 billion be allocated to the county governments as equitable shares for the financial year 2026/27. Further, the Commission recommends that Ksh 9.60 billion be allocated to the Equalisation Fund for the financial year 2026/27.

The additional allocation to county governments of Ksh 43.94billion comprises of a revenue growth adjustment of KSh 35 billion and a transfer from the national government equitable share of KSh 8.94 billion, being total budget of Universal Health Coverage (UHC) workers. The increased allocations to the county government is important to finance and improve service delivery throughout the country.

The national government's allocation for financial year 2026/27 will increase by Ksh.298.66 billion. The increased allocation to the national government will ensure provisions are made in respect of the national debt and, other obligations, and that the needs of the national government are objectively met in line with Article 203 (1).

ii. Funds for Remuneration of Universal Health Coverage Workers

In fulfilment of a presidential directive to employ the UHC works on permanent and pensionable basis effective September 2025, the MOH in consultation with the Council of Governors agreed that the UHC workers be transitioned to Permanent and Pensionable terms at a total budget of Ksh8,9376,615,000, effective 1st September 2025. The budget was calculated based on the prescribed SRC rates. It was further agreed that Parliament makes the resources available in financial year 2026/2027 through the Division of Revenue Act (Agreement letter attached as Appendix III). The Commission recommends that KSh 8.94 billion be added to the county equitable share for financial year 2026/27 to fully transition the UHC workers.

The allocations for equitable shares for the national and county governments are summarised in Table 5.2.

Table 5.2: Recommended Equitable Share of Revenue to the two Levels of Government-Ksh. Billion

Items		Baseline Allocation for FY 2025/26 (Ksh. billion)	Adjustment	Recommended Shareable Revenues for FY 2026/27 (Ksh. billion)
National Government		**2,215.1**	**298.66**	**2,513.76**
County Government		**415**	**43.94**	**458.94**
Of which:	*Revenue increment*		*35.00*	
	Remuneration of UHC workers		*8.94*	
Equalisation Fund		**9.6**	**0**	**9.60**
Total Revenue		**2,639.7**		**2,982.3**

Source of data: CRA

The county governments' allocation of Ksh. 458.94 billion is equivalent to 23.9 percent of the most recent audited and approved accounts of revenue for the financial year 2021/22 amounting to Ksh. 1,920.4 billion.

The recommendation on the sharing of revenue between the national and county governments has been informed by the following:

a) A stable macroeconomic environment that is characterised with low inflation, low interest rates and a stable exchange rate;
b) A projected economic growth of 5.3 per cent in the medium term;
c) Projected revenue performance of 13.1 percent that will increase revenue to Ksh. 2,982.3 billion for financial year 2026/27 from Ksh 2,639.7 billion in the financial year 2025/26; and
d) The need to provide adequate resources for each level of government to finance functions assigned to them by the Fourth Schedule of the Constitution.

iii. Allocations to the Equalisation Fund

Article 204 provides for an allocation of 0.5 per cent of the most recent audited and approved accounts of revenue to the Equalisation Fund. The approved accounts of nationally raised revenues are for financial year 2021/22, amounting to 1,920.4 billion. The Commission therefore recommends an allocation of Ksh. 9.60 billion to Equalisation Fund for financial year 2026/27, (Table 5.3).

Table 5.3: Equalisation Fund Allocation for the FYs 2013/14 to 2026/27-Ksh. Billion

Year	Audited Accounts	FY of Audited Accounts	Equalization Fund (0.5%)
2013/14	529.3	2009/10	2.65
2014/15	529.3	2009/10	2.65
2015/16	776.9	2012/13	3.88
2016/17	935.6	2013/14	4.68
2017/18	935.6	2013/14	4.68
2018/19	935.6	2013/14	4.68
2019/20	1,038.0	2014/15	5.19
2020/21	1,357.7	2017/18	6.79
2021/22	1,357.7	2017/18	6.79
2022/23	1,413.7	2018/19	7.07
2023/24	1,673.7	2019/20	8.37
2024/25	1,673.7	2019/20	8.37
2025/26	1,920.4	2021/22	9.60
2026/27	1920.4	2021/22	9.60

Source of Data: National Assembly PAC Reports

iv. Recommendations on Attendant Resources following Delineation of Functions

The Intergovernmental Relations Technical Committee (IGRTC) through a multi-agency task force delineated functions assigned to the national and county governments. This resulted in the publication of the Gazette Notice No. 219. Vol. CXXVI, of 16th December, 2024. The Gazette Notice contains roles and responsibilities of either level of government in the execution of the functions assigned to the county governments. On the basis of the Gazette Notice, IGRTC convened intergovernmental sectoral consultations to identify any attendant resources still remaining at the national government for transfer to county governments in line with Article 187 (2)(a). The consultations identified resources totalling to Ksh.65.9 billion being utilised by the national government Ministries, Departments and Agencies (MDAs) to perform functions assigned to county governments. The details of resources identified in various MDAs budgets is presented in Appendix IV.

The Commission observes that the attendant resources identified by IGRTC can be grouped into four categories, namely: resources already budgeted for and currently being transferred under the County Government Additional Allocations legislation; direct financing of devolved functions by the national government without clear intergovernmental agreements; financing of functions from established Funds that require amendments to the existing legislation and; Financing of national government functions. These are detailed below:

a) Funds transferred under the County Government Additional Allocations Act (Ksh 6.10 billion)

i. Industry

Resources amounting to Ksh. 4.72 billion in 11 programmes were identified in the State Department for Industry. The 11 programmes relate to identification and establishment of value chains for the County Aggregation Industrial Parks (CAIPs).

The objective of CAIPs is to grow manufacturing and investments through agro-industries and enhance productivity of agriculture sector in a sustainable manner. This will create inclusive decent jobs, increase farmers' income; Increase foreign exchange, provide platform where farmers, processors, exporters, research institutions, industrial bodies and government can engage for agro-industrial development. The CAIPs project is implemented in three phases: phase one targets 14 counties; phase two targets 26 counties and phase three targets seven counties.

The financing of the programme on the identification and establishment of value chains for the CAIPs is through a matching grant from both levels of government. Each county government allocates Kshs. 250 Million and the National Government through State Department for Industry allocates Kshs. 250 Million.Therefore the identified resources in the State Department's for Industry budget relate to the conditional grant from the national government towards the CAIPs. Indeed, an amount of Ksh. 4.4 billion is provided in the County Government's Additional Allocation (CGAA) Act, 2025 for transfer to county governments.

ii. Public works

The resources identified in the public works department amounting to Ksh. 454 million relates to a matching conditional grant for the construction of county headquarters in five counties namely: Lamu; Nyandarua; Tana River; Tharaka-Nithi and Isiolo counties. The conditional grant was incepted in the financial year 2017/18 to supplement construction of offices in five county headquarters that did not inherit adequate office space at the inception of devolution and had not managed to construct new offices due to budget constraints. During the financial year 2025/26, the CGAA Act, 2025 has provided for an allocation of Ksh. 449 million as a conditional allocation to the five counties.

iii. Housing and Urban Development

An allocation of 0.5 per cent of the affordable housing funds under the State Department for Housing and Urban Development were identified for transfer to the county governments in accordance to the Affordable Housing Act. The Affordable Housing Act 2024 Section 3 (1)(a) provides that the objective of the Act is to give effect to Article 43(1)(b) of the Constitution on the right to accessible and adequate housing and to reasonable standards of sanitation. The source of funds for affordable housing is through the imposition of a levy known as the Affordable Housing Levy at the rate of one-point five per cent of the gross salary of an employee; or the gross income of a person received or accrued which is not part of the gross income. Section 11(4)(c) and 11(5) of the Act provides that not less than point five percent (0.5%) of the monies from the Affordable Housing Levy shall be allocated to the county committees for the administration of the County Committees, the allocation of which shall be appropriated as a conditional grant to county governments.

The 0.5 per cent translates to an allocation of Ksh. 93.42 million to the county governments. The transfer of this amount has been provided for in the CGAA Act,

2025 as an additional allocation to the county governments and each county has been allocated Ksh 1,987,622.36.

The Commission notes that the Transfer of: Ksh. 4.4 billion for CAIPs; Ksh. 449 million for construction of headquarters and; Ksh. 93.4 million from Affordable Housing Fund are already provided for in the CGAA Act, 2025 as additional allocations to the county governments for financial year 2025/26.

b) National Government Direct Financing of County Government Functions (KSh 33.67 billion)

The national government is directly financing county functions without intergovernmental transfer agreements. This include:

i. Agriculture

Resources amounting to Ksh.12.80 billion from 14 projects and programmes were identified by IGRTC for transfer to county governments. A review of the resources from these projects and programmes reveals that:

- The fertilizer subsidy programme is already classified as a national interest programme under Article 203(1)(a) of the Constitution. The fertilizer is distributed across different counties to cushion farmers from high inputs and enhance food production.
- The food security and crop diversification project is a Bottom Up Economic Transformation (BETA) project initiated by the national government to ensure the county is food secure.
- The Banana enterprise financing project, cashew nut revitalization project, cotton industry revitalization and national edible oil crops promotion project are value chain projects being carried out in specific counties under the BETA.

ii. Livestock

Resources amounting to Ksh. 2.58 billion from six programmes and projects, namely: Livestock Technical Training Support Services; Livestock Value Chain Support Project; De-Risking, Inclusion & Value Enhancement of Pastoral Economies; Leather Value Chain Promotion Programme; Kenya Leather Development Council; and Livestock Restocking in Baringo North Constituency were identified.

iii. Blue Economy and Fisheries

The resources identified for transfer to county governments amount to Ksh.4.37 billion in nine programmes and projects, namely: Aquaculture Business Development project; Rehabilitation of Fish Landing Sites in L. Victoria; Coastal Fisheries Infrastructure Development; Development of Blue Economy Initiatives; Construction of Fisheries, Monitoring Control and Surveillance Centre; Kenya Marine Fisheries & Socio-Economic Development Project; Exploitation of Living Resources Under the Blue Economy; Fish Marketing Authority and Fisheries

iv. Culture, Arts and Heritage

A total of Ksh. 783.22 million was identified in the State Department for Culture, Arts and Heritage. The resources relate to refurbishment of archives offices in six county governments namely: Kakamega; Kisumu; Mombasa; Nyeri; Nakuru and Nairobi. These are national government support to specific county governments for specific projects. Once the projects are complete, they remain the assets of those county governments.

Other resources budgeted under the State Department for Culture, Arts and Heritage relate to funds allocated to Kenya National Cultural Centre for performing arts and funds allocated to National Lottery Board for lottery control and policy. The two institutions are national government institutions that support national government functions and therefore the allocation of Ksh. 783.2 million is not available for transfer to as equitable share to county governments.

v. Water and Sanitation

Resources amounting to Ksh. 9.80 billion were identified for transfer to county governments. The identified resources relate to water and sanitation programmes in various counties and irrigation projects under the Irrigation Expanded Programme. The sharing of resources under these programme require the establishment of Intergovernmental Partnership Agreements to provide clarity on the amount of resources for either level of government.

vi. Housing and Urban Development

IGRTC also identified transfer of 8,062 houses which relates to devolved functions. The transfer of these houses has already been gazette vide the Gazette Notice No. 188 Vol. CXXVII of 5th September 2025. Further, IGRTC identified an amount of KSh3.06 billion, being the development budget allocation to the National Housing Corporation (NHC) by the national government. Once the 8,062 houses are transferred, the become the assets of the respective county governments.

Housing is a concurrent function of both levels of government. The objective of the Housing Act Cap 1177 is to provide for loans and grants of public moneys for the construction of dwellings, to establish a housing fund and a housing board. The Act also establishes the NHC whose mandate is to implement the housing policy by providing decent and affordable housing through construction and lending money.

vii. Forestry

Resources amounting to Ksh. 40.0 million were identified in two projects namely: Suswa Lake Magadi-Migori environment restoration project and farm and dryland forest development. These two projects are carried out in specific county governments.

viii. Public Health and Professional Standards

Resources amounting to Ksh. 235.50 million were identified for transfer to county governments. The resources, however, relate to funding support in specific county governments towards the construction of health facilities. These are: Sura Adoru Health Center; Loosuk Health Center; Lolkuniyani Maternity Health Centre – Lkwasi Health Centre; Upgrading of Chemelil (Potopoto) Health Centre; Mikumbune level IV Hospital; Kinoro level IV Hospital; Khwisero level IV Hospital; Chwele level IV Hospital; Tulwet Primary Hospital; Bikeke Primary Hospital; and Mt. Elgon IV Hospital. Once the constructed facilities are completed, they will be handed over to the respective county governments.

The Commission notes that the direct financing of devolved functions by the national government is a testament by the national government of the gross under funding of devolved functions. The Commission further notes of the Constitutional requirement under Article 187 and Article 189 of the need for intergovernmental agreements between the two levels of government, where a level of government is performing a function assigned to another government. The Commission therefore recommends that the national and county government sign clear intergovernmental agreements on all project and programmes being undertaken under the value chains defined above and other county government programmes and projects being undertaken in selected

[7] Revised in 2012

counties by the national government. This is important to ensure projects and programmes operationalisation and sustainability.

c) Financing of Functions from Established Funds (KSh 14.01 Billion)

Tourism

Five programmes were identified by IGRTC for transfer to county governments with resources amounting to Ksh. 14.01 billion. The programmes are: destination marketing; and tourism promotion financed from the Tourism Fund and Tourism Promotion Fund. Tourism is a concurrent function, in which the national government's function relates to policy and development while the county governments' function relates to local tourism. The Tourism Act 2011 which establishes the Tourism Fund is under amendment in the Tourism Bill 2025. The Bill has provided for the object and purpose of the Tourism Fund as to mobilize resources for tourism promotion and development and in particular to finance the development of tourism products, services, events, establishments and facilities; financing marketing, promotion and branding of Kenya in specific local, domestic, regional and international market segments; co-financing tourism development and promotion of projects and programmes with the county governments and other partners on the basis of an agreed ratio of matching grants among others.

The Commission recommends that the Tourism Bill 2025 be amended to provide for an allocation from the Tourism Fund to the county governments to financing local tourism.

d) Financing of National Government Functions (KSh 12.70 billion)

i. Trade

In trade, six programmes with resources amounting to Ksh. 5.53 million were identified for transfer to county governments. The programmes relate to surveillance of weighing and measuring instruments and prepacked goods, namely:

i. Surveillance of weighing and measuring instruments for compliance with the Weights and Measures Act, 2012

ii. Surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act, 2012 and Trade Descriptions Act, 2012
iii. Stakeholder awareness creation and sensitization workshops
iv. Consumer protection surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act, 2012 and Trade Descriptions Act, 2012
v. Collection of Appropriation in Aid from verification of weighing and measuring equipment
vi. Sensitization of traders and manufacturers on consumer protection

The resources identified in the national government's State Department for Trade relate to the surveillance and monitoring function conducted by the national government across the country. This is an important function of the national government in setting fair trade standards across the country.

ii. Transport

The resources identified in the State Department for Transport amount to Ksh. 589.18 million. The resources relate to two programmes namely: multi-agency enforcement operations and sensitization of vulnerable road users and development of non-motorized transport facilities within the Nairobi Metropolitan Area (NMA) and public transport technical Bus Rapid Transport assistance. The programme on multi-agency operations and sensitization is a con-current function between the two levels of government and each level of government should budget for this activity from their equitable share. The programme on development of non-motorized transport within the NMA relates to the function on trunk roads, which is a national government function.

iii. Youth Affairs and Creative Economy

In the State Department for Youth Affairs and Creative Economy, resources amounting to Ksh. 1.65 billion for funding film development were identified for transfer. The role of the national government on film and cinema relate to: administration and enforcement of copyright and related rights; public awareness, enforcement, registration of copyright, licensing of collective management organisation and education on matters of copyright and related rights. The county

governments function on film development and cinema relate to: regulation of cinema and cinema content in the county; promoting, licensing, regulating film shooting locations in the county; establishing, developing, regulating and managing cinema facilities in the County; regulating cinematography and cinema production at the county level; promoting production and consumption of local content; licensing cinemas and premises for cinemas and conducting vetting, security checks and due diligence on cinemas. Each level of government should budget and undertake their assigned functions.

iv. Executive Office of the President

Resources relating to strategic policy advisory services allocated to The Betting Control and Licensing Board(BCLB) amounting to Ksh. 198.99 million were identified. The Betting Lotteries and Gaming Act Cap 131 establishes the BCLB with a mandate of: controlling and licensing of betting and gaming premises and the activities carried therein; imposition and recovery of taxes for the authorization of lotteries and prize competition as well as eradication of illegal gambling. County governments also undertake the betting, lotteries and gaming function within their respective jurisdictions. Betting Control and Licensing is a matter of national security and each level of government should budget for the function assigned to them and collect revenue from fees and charges imposed on the activity.

v. National Authority for the Campaign Against Alcohol and Drug Abuse

The resources identified under the National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA) amount to Ksh. 871.27 million and relates to the implementation of liquor licensing. NACADA is established under the NACADA Act, 2012 as a national government institution. The mandate of the Authority relates to: coordination of a multi-sectoral effort aimed at preventing, controlling and mitigation of alcohol and drug abuse in Kenya. County governments roles in control of alcohol and drug abuse include: licensing and control of sale, production, distribution, promotion, consumption and use of alcoholic drinks; regulating outdoor advertising of alcoholic drinks; establishing and maintaining rehabilitation centres for persons recovering from addiction to alcoholic drinks; and sensitization and capacity building of citizenry on the consequences of excessive consumption of alcoholic drinks. Each level of government should budget for the functions assigned to them

vi. Environment

Three programmes with resources amounting to Ksh. 439.80 million were identified for transfer to county governments. The programmes relate to: forest management for improved biodiversity conservation and climate; community livelihood improvement programme and enhancing community resilience and water security under National Environment Management Authority (NEMA). NEMA is a national government institution.

vii. Special Programmes

Resources in three programmes (National Disaster Operation Centre; relief assistance and National Drought Management Authority) amounting to Ksh. 355.96 million were identified for transfer to county governments. These are national government interventions on disaster management and therefore cannot be transferred to county governments through equitable share. Whenever there is a disaster affecting specific counties or at a national scale, the national government has a responsibility to establish an intergovernmental framework for the financing and management of such disasters from time to time.

viii. Medical Services

Resources under the Managed Equipment Scheme (MES) amounting to Ksh. 8.59 billion were identified for transfer to county governments. The MES was a contractual obligation with an intergovernmental agreement between the two levels of governments that was implemented from 2015 to 2023 through conditional allocations from the national government's equitable share of revenue. The programme involved purchase and maintenance of modern specialised medical equipment in at least two level IV hospitals across the 47 county governments. This scheme was meant to facilitate easy access to specialised health care services and significantly reduce the distance that Kenyans travel in search of such services. The MES contract provided for the handover of the medical equipment to county governments at the end of the contract period. County governments are therefore required to allocate resources from within their equitable share for servicing these equipment. An amount of Ksh. 8.59 billion in the State Department for Medical Services' budget under the MES is for the payment of pending bills.

The Commission notes that an amount of KSh 12.7 billion identified by IGRTC for transfer to county government from the national government budget of MDAs relates to the performance of national government functions and therefore is not available for transfer to county governments. The Commission further notes that the identified functions are concurrent and therefore the county governments should also budget for their assigned functions.

6 SHARING OF REVENUE AMONG COUNTY GOVERNMENTS FOR FINANCIAL YEAR 2026/27

Section 190 (1)(b) of the PFM Act CAP412A mandates the Commission to submit the determination of each county's equitable share in the county share of that revenue while making recommendations for the following financial year. The Framework for the Fourth Basis for revenue sharing among county governments is summarised in Table 6.1.

Table 6.1: Fourth Basis Framework

Objectives	Parameter	Assigned Weight %
1. To share revenue equitably to facilitate service delivery	Population	45
	Basic Share	35
	Geographical Size	8
2. To share revenue equitably to address economic disparities and promote development	Poverty	12
Total		**100**

Source: CRA

The allocations to the county governments based on the Fourth Basis for revenue sharing among county governments is shown in Table 6.2.

Table 6.2: Allocation to County Governments for FY 2026/27, Ksh Million

No.	County	Allocations for 2025/26	Allocations for 2026/27			
			Baseline	4th Basis allocation factor	4th Basis Allocations	Total
1	Baringo	7,084	6,684	1.73	1,161	7,845
2	Bomet	7,447	7,015	1.87	1,255	8,270
3	Bungoma	11,838	11,171	2.89	1,940	13,110
4	Busia	7,957	7,515	1.91	1,283	8,798
5	Elgeyo/Marakwet	5,515	5,198	1.37	920	6,118
6	Embu	6,077	5,742	1.45	976	6,717
7	Garissa	8,878	8,290	2.54	1,706	9,996
8	Homa Bay	8,646	8,170	2.06	1,384	9,554
9	Isiolo	5,631	5,295	1.46	976	6,271
10	Kajiado	8,894	8,345	2.38	1,596	9,941
11	Kakamega	13,675	12,981	3.01	2,018	14,999
12	Kericho	7,179	6,738	1.91	1,279	8,017
13	Kiambu	13,072	12,294	3.37	2,262	14,556
14	Kilifi	12,813	12,170	2.79	1,870	14,040

No.	County	Allocations for 2025/26	Allocations for 2026/27			
			Baseline	4th Basis allocation factor	4th Basis Allocations	Total
15	Kirinyaga	6,152	5,821	1.43	961	6,782
16	Kisii	9,820	9,306	2.23	1,493	10,799
17	Kisumu	8,902	8,405	2.15	1,443	9,849
18	Kitui	11,504	10,886	2.68	1,795	12,681
19	Kwale	9,079	8,625	1.96	1,317	9,942
20	Laikipia	6,104	5,759	1.50	1,003	6,762
21	Lamu	3,858	3,626	1.00	672	4,298
22	Machakos	10,179	9,597	2.52	1,691	11,288
23	Makueni	8,976	8,497	2.08	1,392	9,889
24	Mandera	12,265	11,691	2.34	1,568	13,259
25	Marsabit	8,106	7,597	2.20	1,476	9,073
26	Meru	10,554	9,944	2.64	1,772	11,716
27	Migori	8,884	8,385	2.16	1,450	9,835
28	Mombasa	8,383	7,900	2.10	1,406	9,305
29	Murang'a	7,969	7,512	1.98	1,330	8,842
30	Nairobi City	21,417	20,179	5.37	3,602	23,781
31	Nakuru	14,455	13,667	3.42	2,291	15,958
32	Nandi	7,772	7,346	1.84	1,237	8,583
33	Narok	9,770	9,242	2.29	1,535	10,777
34	Nyamira	6,073	5,732	1.48	993	6,724
35	Nyandarua	6,663	6,308	1.54	1,030	7,338
36	Nyeri	6,896	6,519	1.64	1,097	7,615
37	Samburu	6,337	5,995	1.48	993	6,988
38	Siaya	7,754	7,301	1.96	1,316	8,618
39	Taita Taveta	5,760	5,438	1.40	937	6,374
40	Tana River	7,222	6,825	1.72	1,155	7,979
41	Tharaka Nithi	5,058	4,771	1.24	834	5,605
42	Trans Nzoia	7,991	7,541	1.95	1,309	8,850
43	Turkana	13,893	13,213	2.94	1,973	15,186
44	Uasin Gishu	8,977	8,472	2.19	1,466	9,939
45	Vihiga	6,009	5,665	1.49	1,000	6,664
46	Wajir	10,508	9,903	2.62	1,756	11,659
47	West Pokot	7,002	6,610	1.70	1,140	7,750
	Total	**415,000**	**391,885**	**100.00**	**67,055**	**458,940**

Source, CRA 2025

APPENDICES

Appendix 1: Summary of Conditional Grants and Loans from Development Partners (Ksh. Million), 2013/14 to 2025/26

Source/Purpose	2013-17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
International Fund for Agricultural Development (IFAD)-Aquaculture Business Development Project (ABDP)	0							246	246	200	692
DANIDA Grant for Universal Healthcare in Devolved System Programme	0	763	1,013	987	900						3,663
DANIDA Grant to Supplement Financing of County Health Facilities	1267										1,267
DANIDA Grant-Primary Health Care In Devolved Context	0					701	667	578	488	510	2,944
Donor Projects	30470										30,470
EU Grant (Instruments for Devolution Advice and Support IDEAS)	0	986	1,040	493	216	231	120				3,086
EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)	0			495	528						1,023
German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK)	0			350	300	370	825	765	782	1,277	4,669
IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)	0		3,039	3,643	7,120	7,838	2,000	2,160			25,800
IDA (World Bank) Credit (Financing Locally- Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS)Grant	0							517		121	638
IDA (World Bank) Credit (Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Resilience Investment Grant (CCRIG)	0							6,188	3,712	1,200	11,100
IDA (World Bank) Credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)	0	1,050	2,949	7,233	4,262	6,395	3,563	3,150			28,602
IDA (World Bank) Credit National Agricultural Value Chain Development Project (NAVCDP)	0							8,250	5,000	7,700	20,950
IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) " Level 1 Grant"	0	2,148	2,300	1,410	2,115						7,973
IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) " Level 2 Grant"	0					4,600					4,600
IDA (World Bank) Credit: Kenya Urban Support Project (KUSP)- Urban Institutional Grants (UIG)	0			396					1,575	1,300	3,271

Source/Purpose	2013-17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	Total
IDA (World Bank) Credit: Kenya Urban Support Project (KUSP)	0		11,465	11,465						10,325	33,255
IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)	0		3,800	3,500	3,400	5,000	5,900	5,350	5,700	3,000	35,650
IDA (World Bank) Credit (Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Institutional Support (CCIS) Grant (Level 1)	0						517				517
IDA (World Bank) Transforming Health Systems for Universal Care Project	0	2,750	3,637	2,994	4,345	2,235					15,961
Kenya Livestock Commercialization Project (KELCLOP)	0							344	379	634	1,357
Other Loans & Grants	11464	7,932									19,396
Sweden- Agricultural Sector Development Support Programme (ASDSP) II	0			850	653	1,300	775	73			3,651
UNFPA-9th Country Program Implementation	0					74					74
World Bank - Emergency Locust Response Project (ELRP)	0					800	1,200	2,303	1,900		6,203
IDA World bank - Kenya Informal Settlement Improvement Project (KISIP II)	0					2,800	2,700	3,270	10,600	840	20,210
World Bank Loan to Supplement Financing of County Health Facilities	1810	779									2,589
German Development Bank (KfW)-Credit (Financing Locally-Led Climate Action (FLLoCA) Program County Climate Resilience Investment (CCRI) Grant	0								1,200	6,188	7,388
IDA (World Bank) loan for the Food Systems Resilience Project (FSRP)	0								2,250	3,200	5,450
IDA (World Bank) Credit-Second Kenya Devolution Support Program(KDSP II)	0									13,042	13,042
IDA (World Bank) Credit-Second Kenya Devolution Support Program-Institutional Grant (Level IGrant)	0								1,762	1,762	3,524
United Nations Fund for Population Activities (UNFPA) Grant 10th Country Grant	0								65		65
AFD-Kenya Informal Settlement Improvement Project II	0									1,000	1,000
Kenya Water, Sanitation and Hygiene (K-WASH)	0									4,608	4,608
Grand Total	45,011	16,408	29,243	33,816	23,839	32,344	18,267	33,194	35,659	56,907	324,688

Source, DORA

Appendix II: County Pending Bills as at 30th June 2025

No	County	County Executive			County Assembly		
		Rec	Dev	Sub Total	Rec	Dev	Sub Total
1	Baringo	202,300	143,900	**346,300**	-	-	**-**
2	Bomet	600,000	857,400	**1,457,400**	20,100	45,800	**65,900**
3	Bungoma	2,227,500	1,368,500	**3,596,000**	14,700	-	**14,700**
4	Busia	1,382,300	1,258,900	**2,641,200**	620,500	-	**620,500**
5	Elgeyo Marakwet	3,100	9,100	**12,100**	-	-	**-**
6	Embu	924,200	822,700	**1,746,900**	16,200	-	**16,200**
7	Garissa	747,200	1,677,400	**2,424,600**	116,300	45,000	**161,300**
8	Homa Bay	715,100	726,100	**1,441,300**	102,600	94,300	**197,000**
9	Isiolo	786,900	209,800	**996,700**	5,800	8,100	**13,900**
10	Kajiado	1,087,500	1,458,200	**2,545,700**	30,600	69,600	**100,200**
11	Kakamega	773,600	938,200	**1,711,900**	454,400	-	**454,400**
12	Kericho	661,300	1,367,000	**2,028,300**	-	53,800	**53,800**
13	Kiambu	4,259,900	3,352,700	**7,612,600**	244,000	31,200	**275,200**
14	Kilifi	3,820,100	5,367,400	**9,187,400**	68,200	-	**68,200**
15	Kirinyaga	316,200	486,700	**802,900**	-	-	**-**
16	Kisii	594,500	401,800	**996,300**	8,200	28,400	**36,600**
17	Kisumu	507,800	838,000	**1,345,900**	2,500	2,100	**4,600**
18	Kitui	173,700	56,100	**229,900**	-	-	**-**
19	Kwale	654,500	915,500	**1,570,000**	187,500	142,100	**329,600**
20	Laikipia	856,300	999,700	**1,856,000**	10,400	-	**10,400**
21	Lamu	32,100	-	**32,100**	-	-	**-**
22	Machakos	3,785,100	2,695,100	**6,480,100**	251,700	1,900	**253,600**
23	Makueni	558,000	98,600	**656,600**	161,500	-	**161,500**
24	Mandera	968,300	1,525,400	**2,493,700**	-	6,100	**6,100**
25	Marsabit	532,500	700,200	**1,232,600**	30,600	170,600	**201,200**
26	Meru	829,700	848,700	**1,678,400**	63,500	-	**63,500**
27	Migori	475,900	361,400	**837,200**	184,600	36,400	**220,900**
28	Mombasa	2,439,400	1,310,800	**3,750,100**	117,500	-	**117,500**
29	Murang'a	1,588,100	333,400	**1,921,500**	72,200	-	**72,200**
30	Nairobi City	78,949,100	7,169,400	**86,118,600**	650,600	-	**650,600**
31	Nakuru	2,850,400	668,700	**3,519,200**	158,000	-	**158,000**
32	Nandi	476,000	495,700	**971,700**	-	13,500	**13,500**
33	Narok	-	-	**-**	-	-	**-**
34	Nyamira	218,000	114,200	**332,200**	-	8,200	**8,200**
35	Nyandarua	571,600	869,100	**1,440,700**	71,300	-	**71,300**
36	Nyeri	321,100	27,800	**348,900**	6,000	-	**6,000**
37	Samburu	35,000	140,600	**175,500**	46,400	9,300	**55,700**
38	Siaya	832,900	1,057,000	**1,890,000**	-	-	**-**
39	Taita Taveta	1,364,400	653,100	**2,017,500**	38,400	-	**38,400**
40	Tana River	1,236,500	1,061,400	**2,297,900**	82,600	-	**82,600**
41	Tharaka Nithi	468,600	176,200	**644,700**	82,900	13,900	**96,800**
42	Trans Nzoia	805,400	703,000	**1,508,400**	-	-	**-**
43	Turkana	43,600	1,141,500	**1,185,100**	-	144,300	**144,300**
44	Uasin Gishu	199,700	863,600	**1,063,200**	57,700	-	**57,700**
45	Vihiga	211,200	621,000	**832,200**	-	-	**-**
46	Wajir	1,324,100	2,155,000	**3,479,100**	233,500	-	**233,500**
47	West Pokot	215,300	75,000	**290,300**	21,500	-	**21,500**
	Total	**122,626,000**	**49,121,000**	**171,746,900**	**4,232,500**	**924,600**	**5,157,100**

Source, OCOB

Appendix III: Letters on Confirmation of Resources from the Ministry of Health

MINISTRY OF HEALTH
STATE DEPARTMENT FOR MEDICAL SERVICES
OFFICE OF THE PRINCIPAL SECRETARY

Telephone: Nairobi 254-020-2717077
Fax: 254-2719008
Email: ps.medical@health.go.ke

AFYA HOUSE
CATHEDRAL ROAD
P. O Box 30016-00100
NAIROBI

When replying please quote:

REF: MOH/SDMS/FIN/BGT/ VOL III (242) **19th January, 2026**

CPA Mary Chebukati
Chairperson
Commission on Revenue Allocation
NAIROBI

Dear Madam Chair,

RE: CONFIRMATION OF FUNDS FOR TRANSITIONING UNIVERSAL HEALTH COVERAGE (UHC) WORKERS' SALARY TO PERMANENT AND PENSIONABLE TERMS IN THE FY 2026/27

The above subject refers.

Further to the letter from the Council of Governors **Ref: COG/8/5A VOL.14 (47)** and the letter from the Ministry of Health **Ref: MOH/CS/013/2025,** we wish to clarify that as resolved during the 12th National and County Governments Coordinating Summit, the cost of transitioning UHC Workers shall be factored in the 2026/27 Division of Revenue to facilitate Counties to pay them in perpetuity. The Workers are to be transitioned to Permanent and Pensionable basis on prescribed Salaries and Remuneration Commission Rates effective 1st September 2025.

The purpose of this letter is to advise the CRA to add to the Division of Revenue 2026 baseline an amount of **Ksh.8,937,615,000** which is the total requirement to transition the UHC Workers.

We look forward to your support on this matter.

Yours Sincerely

DR. OUMA OLUGA, OGW
PRINCIPAL SECRETARY
STATE DEPARTMENT FOR MEDICAL SERVICES

MARY MWITI, EBS
CHIEF EXECUTIVE OFFICER
COUNCIL OF GOVERNORS

Copy to: **Dr. Chris Kiptoo, CBS**
Principal Secretary
The National Treasury

Appendix IV: Summary of Attendant Resources Identified by IGRTC for Transfer to Counties

	Projects/Programmes	Attendant Resources-Ksh.
1.	**Agriculture: Fourteen projects and programmes were identified for transfer to County Governments as follows:**	**12,827,067,240**
	i. Fertilizer Subsidy Programme	
	ii. Development of Aggregation Centers	
	iii. Headquarters Land and Crop Development Services	
	iv. Food Security and Crop Diversification Project - BETA Market investment projects in local forums	
	v. Kenya Cereal Enhancement Programme	
	vi. Resilience for Food & Nutrition Security Program in Horn of Africa	
	vii. Crop Post-Harvest Management	
	viii. Smallholder Horticulture Empowerment Project (SHEP Biz)	
	ix. Kenya Agricultural Business Development Project	
	x. Small Scale Irrigation and Value Addition Project	
	xi. Banana enterprise financing project	
	xii. Cashew nut revitalization project	
	xiii. Cotton industry revitalization	
	xiv. National edible oil crops promotion project-BETA	
2.	**Livestock: Six programmes and projects were identified for transfer to County Governments:**	**2,580,000,000**
	i. Livestock Technical Training - Support Services	
	ii. Livestock Value Chain Support Project-BETA	
	iii. De-Risking, Inclusion & Value Enhancement of Pastoral Economies-BETA	
	iv. Leather Value Chain Promotion Programme-BETA	
	v. Kenya Leather Development Council	
	vi. Public Participation Projects (Livestock Restocking in Baringo North Constituency	
3.	**Blue Economy and Fisheries: Nine programmes and projects were identified for transfer to County Governments:**	**4,377,520,639**
	i. Aquaculture Business Development project - BETA	
	ii. Rehabilitation of Fish Landing Sites in L. Victoria – BETA	
	iii. Coastal Fisheries Infrastructure Development	
	iv. Development of Blue Economy Initiatives- BETA	
	v. Construction of Fisheries, Monitoring Control and Surveillance Centre	
	vi. Kenya Marine Fisheries & Socio-Economic Development Project- BETA	
	vii. Fish Marketing Authority	
	viii. Fisheries Technical Services	
4.	**Public Works: Conditional grant for the construction of county headquarters in Lamu, Nyandarua, Tana River, Tharaka Nithi and Isiolo counties**	**454,000,000**
5.	**Housing and Urban Development:** **Three programmes were identified for transfer to county governments as follows**:	
	i. Houses related to devolved functions (8,062) were identified and gazetted by IGRTC vide Gazette Notice Vol. CXXVII no. 188 of 5th September 2025 for transfer to counties.	Transfer of asset (House) in specific counties
	ii. The allocation of at least 0.5% of the affordable housing funds by Affordable Housing Board (AHB) as per the Act	93,418,215
	iii. National Housing Corporation (NHC) has a developmental allocation of KES 2,970,447,000 in the FY 2025/2026 from the national housing developmental fund that relate to houses assigned to county governments.	3,063,865,251

	Projects/Programmes	Attendant Resources-Ksh.
6.	**Trade: Six programmes and projects were identified for transfer to County Governments:**	**5,530,000**
	i. Surveillance of weighing and measuring instruments for compliance with the Weights and Measures Act	
	ii. Surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act and Trade Descriptions Act	
	iii. Undertake stakeholder awareness creation and sensitization workshop's	
	iv. Conduct consumer protection surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act and Trade Descriptions Act	
	v. Collect A-in-A from verification of weighing and measuring equipment	
	vi. No of traders/ manufacturers sensitized on consumer protection	
7.	**Industries: Eleven programmes and projects were identified for transfer to County Governments:**	**4,721,000,000**
	i. Value chain resource identification towards supporting CAIP sustainability in counties coordinated	
	ii. Value chain profiling to evaluate on competitiveness and develop county specific business plans for 13 CAIPs coordinated	
	iii. Provide Business Development services and information to target beneficiaries in the Counties	
	iv. Support in the distribution of BT Cotton in 24 Cotton growing Counties	
	v. Mobilize Local Textile Manufacturers to Participate in marketing forums	
	vi. Capacity Build Leather Value Chain actors on improving the quality of Hides, Skins, leather and leather Products	
	vii. Support establishment of Phase one CAIPS Agro processing of value chains	
	viii. Undertake period updates on Agro Value chains in CAIPs	
	ix. Development of Micro and Small Industries Clusters in 2 Counties (Nairobi and Nakuru)	
	x. Conduct capacity building of start-ups and innovators in selected counties	
8.	**Transport: Resources identified in NTSA and NAMATA** i. Multi-agency enforcement operations and sensitization of vulnerable road users ii. Development of Non-Motorized Transport (NMT) facilities within the NMA and Public Transport Technical BRT Assistance	**589,180,692**
9.	**Culture, The Arts and Heritage: Three programmes were identified for transfer to county governments as follows:**	**783,222,886**
	i. Archives and documentation was allocated for Refurbishment of Archives offices in counties (Kakamega, Kisumu, Mombasa, Nyeri, Nakuru and Nairobi).	36,980,000
	ii. Performing Arts	444,297,548
	iii. Lottery Control and Policy	148,000,000
10.	**Youth Affairs and Creative Economy:**	**1,652,513,433**
11.	**Executive Office of the President: Strategic Policy Advisory Services**	**198,991,240**
12.	**National Authority for the Campaign Against Alcoholism (NACADA): National Campaign Against Drug and Substance Abuse**	871,265,232
13.	**State Department for Tourism: Five programmes were identified for transfer to county governments:**	**14,012,201,050**
	i. Destination Marketing	402,288,000
	ii. Tourism Promotion	390,000,000
	iii. Mama Ngina Waterfront management board	16,313,050
	iv. Tourism Fund	8,193,000,000

	Projects/Programmes	Attendant Resources-Ksh.
	v. Tourism Promotion Fund	5,010,000,000
14.	**Water and sanitation Small Town Funds and the Water and Sanitation Development Programme**	**9,810,816,151**
	i. Water and sanitation projects in various counties	9,293,816,151
	ii. Irrigation projects under the Irrigation Expanded Irrigation Programme	517,000,000
15.	**State Department for Environment: Three programmes were identified for transfer to county governments:**	**439,796,186**
	i. Forest Management for Improved Biodiversity Conservation & Climate	129,796,186
	ii. Community Livelihood Improvement Programme (CLIP)	10,000,000
	iii. Enhancing Community Resilience & Water Security under National Environment Management	300,000,000
16.	**State Department for Forestry: Two programmes were identified for transfer to county governments:**	**40,000,000**
	i. Suswa Lake Magadi - Migori Environment Restoration Project under Forests Resources Conservation and Management	10,000,000
	ii. Farm and Dryland Forest Development under Forests Resources Conservation and Management	30,000,000
17.	**State Department for Special Programs- NDOC: Three programmes were identified for transfer to county governments:**	**355,962,460**
	i. NDOC-Recurrent	30,560,000
	ii. Relief assistance	159,800,000
	iii. NDMA	133,000,000
18.	**State Department for Medical Services: Managed Equipment Service-Hire of Medical Equipment for 98 Hospitals**	**8,590,000,000**
19.	**Public Health and Professional Standards: 12 projects were identified for transfer to county governments:**	**235,500,000**
	i. Sura Adoru Health Center – Samburu	10,000,000
	ii. Loosuk Health Center – Samburu	20,000,000
	iii. Lolkuniyani Maternity Health Centre – Samburu	8,000,000
	iv. Lkwasi Health Centre – Samburu	20,000,000
	v. Upgrading of Chemelil (Potopoto) Health Centre	50,000,000
	vi. Mikumbune level IV Hospital	20,000,000
	vii. Kinoro level IV Hospital	20,000,000
	viii. Khwisero level IV Hospital	20,000,000
	ix. Chwele level IV Hospital	20,000,000
	x. Tulwet Primary Hospital	15,000,000
	xi. Bikeke Primary Hospital	15,000,000
	xii. Mt. Elgon IV Hospital	20,000,000
	Total	**65,965,836,756**

Source data: IGRTC

Appendix V: Stakeholder Consultations

In fulfilment of the provisions of Article 201(a) on openness and accountability, including public participation in financial matters, the Commission consulted the following:

1. The Intergovernmental Relations Technical Committee
2. The County Governments
3. Institute of Certified Public Accountants of Kenya
4. Institute of Economic Affairs
5. Bajeti Hub

COMMISSION ON REVENUE ALLOCATION

Prism Tower, 3rd Ngong Avenue, 28th Floor.

P.O BOX 1310 – 00200, **NAIROBI**

TEL: +254-(020) 4298000 / 0709822000.

Email: info@cra.go.ke

Website: www.cra.go.ke

CRA 062

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