CRA

# COMMISSION ON REVENUE ALLOCATION

*Promoting an Equitable Society*

# RECOMMENDATION ON THE BASIS FOR EQUITABLE SHARING OF REVENUE BETWEEN THE NATIONAL AND COUNTY GOVERNMENTS FOR THE FINANCIAL YEAR 2024/2025

DECEMBER, 2023

[illegible]

# TRANSMITTAL LETTER

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## COMMISSION ON REVENUE ALLOCATION



**OUR REF:** CRA/EA/01/VOL.1/(19) **DATE:** 21st December 2023

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 2024/25**

Pursuant to Article 216 (1)(a) of the Constitution, the Commission on Revenue Allocation (CRA) 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 PFMA (2012) 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 hereby submits the recommendation on the equitable sharing of revenue for the financial year 2024/25. The Commission recommends that the national government be allocated Ksh. 2,552.09 billion and county governments Ksh. 398.14 billion as equitable shares. In absolute amounts, the national government share will increase by Ksh. 374.72 billion and county governments by Ksh. 22.52 billion

In addition, the Commission recommends that Ksh. 8.37 billion be allocated to the Equalisation Fund. This allocation is equivalent to 0.5 per cent of the most recent audited and approved accounts of revenue for the financial year 2019/20 amounting to Ksh. 1,673.72 billion, as stipulated in Article 204.

The Commission also recommends that the national government from its equitable share for the financial year 2024/25 provide a final allocation of Ksh. 155.4 million through the County Government Additional Allocations Act to the 22 counties with libraries that are not fully compensated for the personnel costs. Going forward, the county governments will provide for the staff personal emoluments from their revenues from financial year 2025/26.

On the Roads Maintenance Levy Fund, the Commission recommends that:

i. The 15 per cent of RMLF estimated at Ksh. 10.52 billion for the financial year 2024/25 be allocated to county governments through the County Government Additional Allocations Act for maintenance of county roads. The Road Maintenance Levy Fund is a Fund established in line with the provisions of Article 206 and therefore is not part of revenue raised by the national governments that is defined as shareable revenue.

ii. The Commission recommends that Parliament review legislation passed before 2010 to align them to the devolved system of governance. Key among them are: the Road Maintenance Levy Fund Act, 1993; Kenya Roads Board Act, 1999 and Kenya Roads Act of 2007.

The Commission further recommends that Ksh. 46,529,472 related to personnel emoluments earmarked for the eight museums be transferred to the respective county governments in financial year 2024/25 through the County Government Additional Allocations Act. The eight stations that were transferred to the county governments through Gazette Notice No. 13982 dated 11th November, 2022 are: Meru Njuri Ncheke Museum; Narok Museum; Garissa Museum; Wajir Museum; Loiyangalani Desert Museum in Marsabit; Kisumu Museum; Kitale Museum and Isiolo Museum. The respective county governments will provide for the staff personal emoluments from their revenues from financial year 2025/26.

Enclosed herewith, find the detailed recommendation, which also presents the determination of each county's equitable share for the financial year 2024/25 based on the Third Basis for revenue sharing approved by Parliament in September 2020.

Yours Sincerely

CPA Mary Wanyonyi Chebukati
**CHAIRPERSON**

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## ACRONYMS

| | |
|---|---|
| ASDSP | Agricultural Sector Development Support Programme |
| BROP | Budget Review and Outlook Paper |
| CAJ | Commission on Administrative Justice |
| CARA | County Allocation of Revenue Act |
| CBR | Central Bank Rate |
| CCIS | County Climate Institutional Support |
| COB | Controller of Budget |
| COVID | Coronavirus disease |
| CRA | Commission on Revenue Allocation |
| CRF | County Revenue Fund |
| DANIDA | Danish International Development Agency |
| DORA | Division of Revenue Act |
| DPP | Director of Public Prosecutions |
| DRPNK | Drought Resilience Programme in Northern Kenya |
| EAC | East African Community |
| EACC | Ethics and Anti-Corruption Commission |
| ELRP | Emergency locust Response Project |
| EU | European Union |
| FLLoCA | Financing Locally-led Climate Action Program |
| | financial year Financial Year |
| GDP | Gross Domestic Product |
| GVA | Gross Value Added |
| IDA | International Development Association |
| ICT | Information Communication Technology |
| IEBC | Independent Electoral and Boundaries Commission |
| IDEAS | Instruments for Devolution Advice and Support |
| IGRTC | Inter-Governmental Relations Technical Committee |
| IPOA | Independent Police Oversight Authority |
| IMF | International Monetary Fund |
| JSC | Judicial Service Commission |
| KCSAP | Kenya Climate Smart Agriculture Project |
| KDSP | Kenya Devolution Support Project |
| KeNHA | Kenya National Highways Authority |
| KeRRA | Kenya Rural Roads Authority |

| | |
|---|---|
| KfW | German Development bank |
| KISIP | Kenya Informal Settlement Improvement Project |
| KNCHR | Kenya National Commission on Human Rights |
| KRB | Kenya Roads Board |
| KUSP | Kenya Devolution Support Project |
| KURA | Kenya Urban Roads Authority |
| KWS | Kenya Wildlife Service |
| LPG | Liquefied Petroleum Gas |
| MES | Managed Equipment Scheme |
| NARIGP | National Agricultural and Rural Inclusive Growth Project |
| NGEC | National Gender and Equality Commission |
| NLC | National Lands Commission |
| NPSC | National Police Service Commission |
| OAG | Office of the Auditor General |
| O&M | Operations and Maintenance |
| OECD | Organisation for Economic Co-operation and Development |
| PAC | Public Accounts Committee |
| OSR | Own Source Revenue |
| PAYE | Pay As You Earn |
| PFMA | Public Finance Management Act |
| PPG | Public and Publicly Guaranteed |
| PSC | Public Service Commission |
| PV | Present Value |
| RMLF | Road Maintenance Levy Fund |
| SPA | Special Purpose Account |
| SRC | Salaries and Remuneration Commission |
| TSC | Teachers Service Commission |
| UDG | Urban Development Grant |
| UHC | Universal Health Coverage |
| UIG | Urban Institutional Grant |
| US | United States |
| VAT | Value Added Tax |
| WB | World Bank |
| WSDP | Water & Sanitation Development Project |

# EXECUTIVE SUMMARY

The financial year 2024/25 recommendation on equitable sharing of revenue between the national and county governments has been prepared at a period when the economic growth momentum has slowed down. The performance of Kenya's economy experienced in 2021 was not sustained as growth declined from a high of 7.6 per cent in 2021 to 4.8 per cent in 2022. The slowdown is replicated in both advanced and emerging economies. This has been largely attributed to the tightening of monetary and fiscal policies as economies struggle to address high inflation and stabilization of exchange rates, increased energy prices, disruption in global supply chains due to conflicts in Eastern Europe and Israel- Palestinian, and depressed agricultural activities owing to adverse weather conditions. The Kenyan economy is expected to remain resilient and expand by 5.5 per cent in 2023 and 5.5 per cent in 2024.

In the medium term, a strong recovery will be realised through implementation of the Bottom-up Economic Transformation Agenda (BETA) which is geared towards economic turnaround and inclusive growth. This will be achieved through increased investments in five core pillars envisaged to have the largest impact on the economy and household welfare, namely: agriculture; small and medium enterprise; housing and settlement; healthcare; and digitisation and creative industry.

In line with the performance of the economy, performance of ordinary revenue has also remained positive, albeit below target. The revenue is projected to grow by 15.1 per cent to Ksh. 2,958.6 billion in the financial year 2024/25 from an estimate of Ksh. 2,571.2 billion in the financial year 2023/24. Despite the positive performance of revenue, the revenue as a percentage of Gross Domestic Product has been on declining trend from a high of 18.1 per cent in the financial year 2013/14 to 14.3 per cent in the financial year 2022/23

The shortfall in the ordinary revenue has often constrained the fiscal space resulting in the accumulation of public debt. The gross public debt rose from Ksh. 8,634.6 billion (68 per cent of Gross Domestic Product) in the financial year 2021/22 to Ksh. 10,189.5 billion (71.4 per cent of Gross Domestic Product) in the financial year 2022/23 and is projected to rise to Ksh. 11,708.3 billion (65.0 per cent of Gross Domestic Product) in the financial year 2024/25. The depreciation of the Kenya Shilling against major currencies has had a significant effect on the stock of external debt. The Kenya Shilling depreciated by 20.5 per cent against the US Dollar between August 2022 and August 2023. It depreciated by 29.8 percent and 27.4 percent against the Euro and Sterling Pound, respectively within the same period.

The ratio of total debt service to ordinary revenue shows that 33.7 per cent of the ordinary revenue went into interest payments in the financial year 2022/23 and is projected to decline to 30.1 per cent in the financial year 2023/24 before rising to 34.1 per cent in financial year 2024/25. The continued increase in the stock of public debt and the cost of servicing arising from the tightened monetary policy and the depreciation of the Kenya Shilling against major currencies poses a significant effect on the quantum of revenues available for sharing between the national and county governments.

Against this constrained fiscal space and based on a revenue projection of Ksh. 2,958.6 billion in the financial year 2024/25, the Commission recommends that for financial year 2024/25, the national government be allocated Ksh. 2,552.09 billion and county governments Ksh. 398.14 billion as equitable shares.

In addition, the Commission recommends that Ksh. 8.37 billion be allocated to the Equalisation Fund. This allocation is equivalent to 0.5 per cent of the most recent audited and approved accounts of revenue for financial year 2019/20 amounting to Ksh. 1,673.72 billion, as stipulated in Article 204.

The Commission further recommends the following as additional conditional allocations to the county governments:

i. The national government from its equitable share for financial year 2024/25 provides a final allocation of Ksh. 155.4 million through the County Government Additional Allocations Act to the 22 counties with libraries that were not fully compensated for the personnel costs of the transferred staff.

ii. A 15 per cent allocation of the Road Maintenance Levy Fund to county governments through the County Government Additional Allocations Act for maintenance of county roads. The amount is estimated at Ksh. 10.52 billion for the financial year 2024/25.

iii. To align the sharing of revenues from the Roads Maintenance Levy Fund, the Commission recommends that Parliament review legislation passed before 2010 to align them to the devolved system of governance. Key among them, Road Maintenance Levy Fund Act, 1993; Kenya Roads Board Act, 1999 and Kenya Roads Act of 2007.

iv. The Commission further recommends that Ksh. 46,529,472 related to personnel emoluments earmarked for eight museums be transferred to the respective county governments in financial year 2024/25 through the County Government Additional Allocations Act.

In accordance with the provisions of Section 190 (1)(b) of the Public Finance Management Act 2012, the Commission also presents the determination of each county's equitable share for the financial year 2024/25 based on the Third Basis for revenue sharing approved by Parliament in September 2020.

# 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 Act (PFMA) 2012 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. In addition, 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 2024/25 is the thirteenth that the Commission is making since the beginning of devolution in the financial year 2012/13. This recommendation is made on the backdrop of a positive economic growth momentum that started in 2021. The economy is expected to remain strong and expand by 5.5 per cent in 2024. While the projected economic growth is optimistic, the continued underperformance of the manufacturing sector due to the high cost of doing business casts doubt on its ability to contribute substantially to revenue growth. Further, the continued depreciation of the Kenya Shilling against all major world currencies may lead to depressed demand especially for imported products thereby negatively affecting industry growth and revenue performance.

The rest of the recommendation is organised as follows: Section Two assesses the performance of the economy while Section Three evaluates the national and county governments fiscal frameworks. Section Four presents the recommendation on equitable shares of revenue to the national and county governments. Section Five details the sharing of revenue among county governments for the financial year 2024/25.

# 2 PERFORMANCE OF THE ECONOMY

## 2.1 Introduction

This section analyses the real and monetary sector indicators that drive economic performance. The section also analyses the economic performance of Kenya's major trading partners and their effect on the country's economy. The analysis of the size and structure of the economy is essential in evaluating revenue performance which informs revenue sharing between the national and county governments.

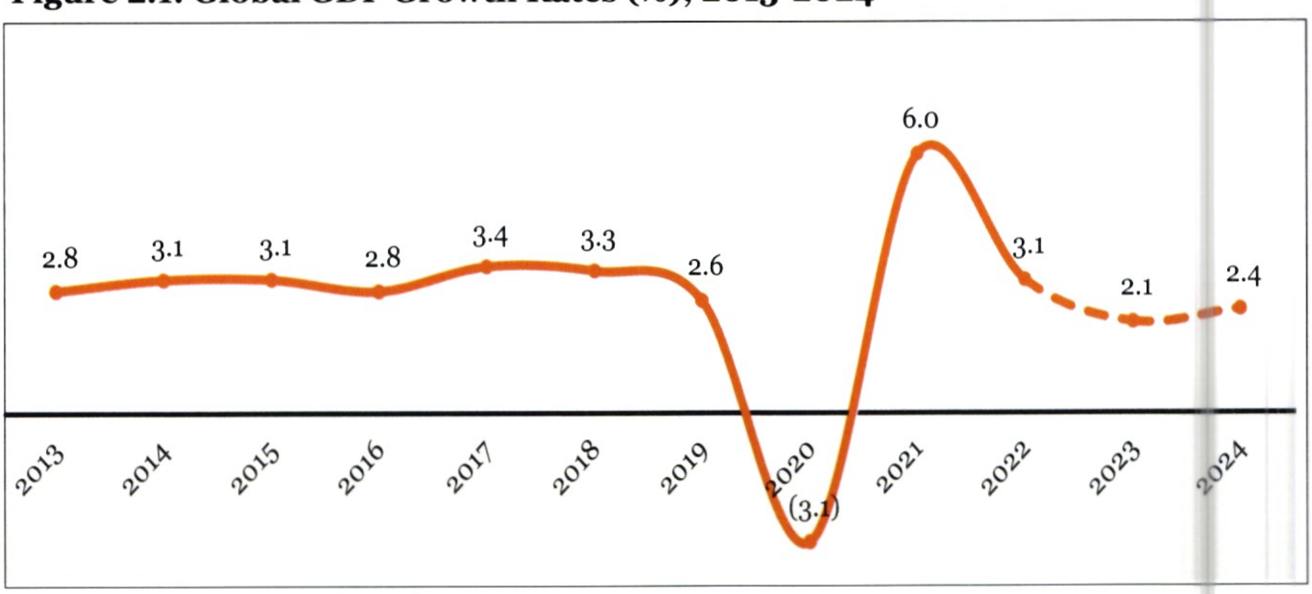
## 2.2. Real Sector

### 2.2.1 Gross Domestic Product

**At the global level**, the World Real Gross Domestic Product (GDP) growth decelerated to 3.1 per cent in 2022 from 6.0 per cent in 2021 (Figure 2.1). The slow growth was experienced in most countries including those in the Advanced Economies as well as Emerging Markets and Developing Economies (EMDEs). The subdued growth in 2022 was largely attributed to the post COVID-19 tightening of monetary policies in most regions, resurgence of COVID-19 in China and the Russia-Ukraine war that pushed up energy and food prices significantly. The sanctions imposed against Russia and the subsequent cessation of its gas supply to Europe, stifled growth in advanced economies.

Growth in the global economy is expected to decelerate further to 2.1 per cent and 2.4 per cent in 2023 and 2024, respectively on account of continued tightening of monetary policies, high inflation and ongoing effects of Russia-Ukraine war.

**Figure 2.1: Global GDP Growth Rates (%), 2013-2024**

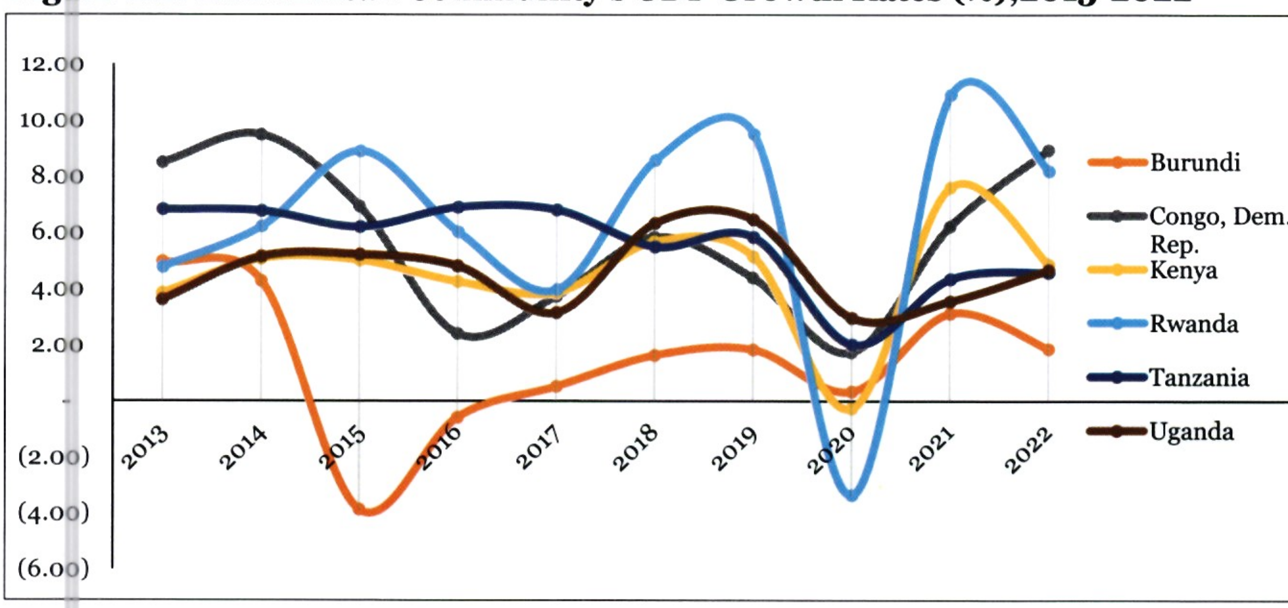



***Source of data: World Bank***

**Real GDP in Sub-Saharan Africa** grew by 3.9 per cent in 2022 compared to 4.8 per cent in 2021. The growth in the region was negatively affected by tightened global monetary policy, high global inflation and slow economic performance in the two major economies of South Africa and Nigeria. The growth for the region is projected to decline further to 2.5 per cent in 2023 before recovering to 3.7 per cent in 2024.

**The East African Community's (EAC)** real GDP growth slowed down to 4.9 per cent in 2022 compared to a growth of 6.7 per cent recorded in 2021 (Figure 2.2). The slowdown in growth was mainly experienced in both Rwanda and Kenya. The deceleration in growth was partly due to disruption in global supply chains, depressed agricultural activities and tightened fiscal and monetary policies, which led to decline in household demand. In 2023, the EAC is expected to grow by 4.9 per cent.

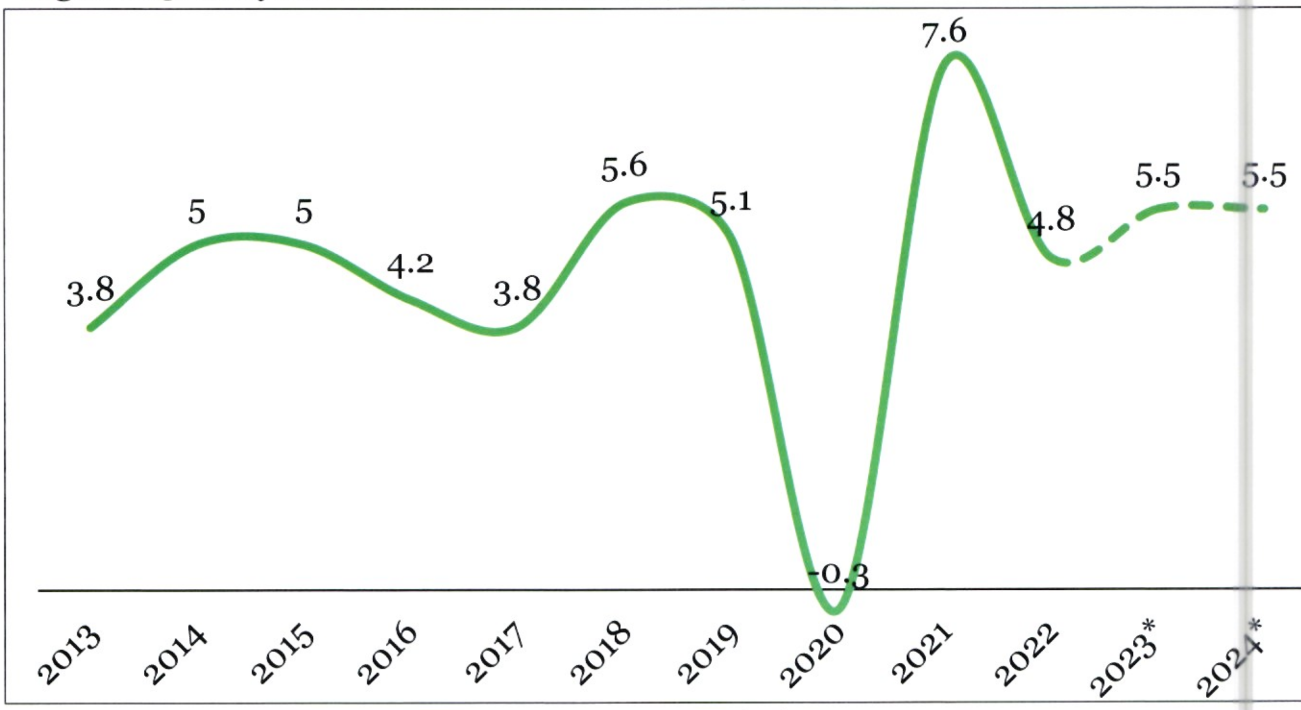
**Figure 2.2: East African Community's GDP Growth Rates (%),2013-2022**




***Source of data: World Bank***

In 2022, **Kenya's economy** sustained a positive growth momentum that started in 2021, after the recovery from the effects of the COVID-19 pandemic that significantly slowed down economic activities (Figure 2.3). However, the magnitude of growth was somewhat subdued by suppressed agricultural production, owing to adverse weather conditions during the year. The real GDP growth decelerated from a revised growth of 7.6 per cent in 2021 to 4.8 per cent in 2022.

**Figure 2.3: Kenya's GDP Growth Rates (%), 2013-2024**




***Source of data: Kenya National Bureau of Statistics***
***Projected**

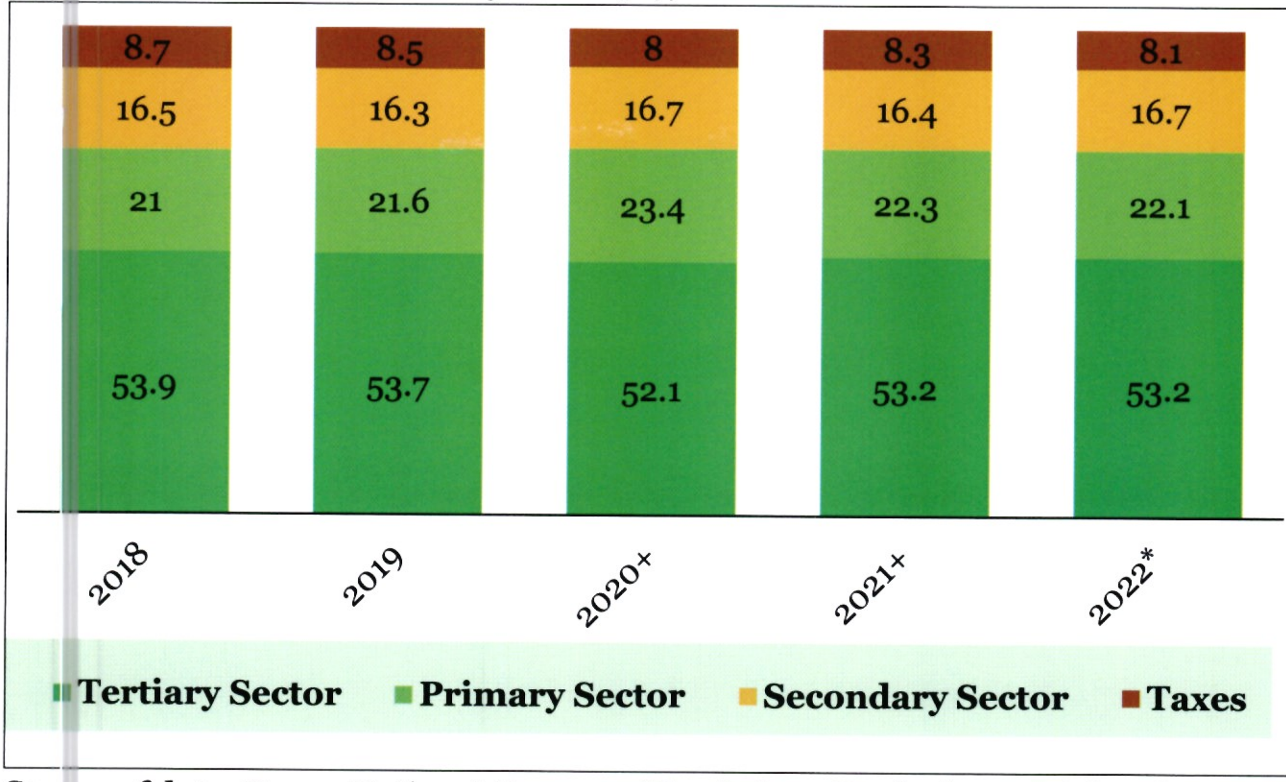
The economy has recorded a strong growth of 5.45 per cent in the first half of 2023 reflecting a strong recovery in agriculture sector and buoyant services sector including financial and insurance, information and communication, wholesale and retail trade, and transport and storage. The economy is expected to remain strong and expand by 5.5 per cent in 2023 and 5.5 per cent in 2024.

#### 2.2.1.1 GDP Contribution by Sector

Kenya's economy is mainly driven by the tertiary sector[1]. In 2022, the tertiary sector's contribution to GDP was 53.2 per cent. In the same year, the primary sector[2] contributed 22.1 per cent to GDP while the secondary[3] sector contributed 16.7 per cent (Figure 2.4).

[1]**Tertiary sector (services):** Accommodation and food service activities, Administrative and support service activities, Education, Financial and insurance activities, Human health and social work activities, Information and communication, Professional, scientific and technical activities, Public administration and defence, Real estate, Transportation and storage, Wholesale and retail trade; repairs, Activities of households as employers; Arts, entertainment and recreation, Other service activities
[2]**Primary sector:** Agriculture, forestry and fishing, Mining and quarrying
[3]**Secondary sector (industry):** Construction, Electricity supply, Manufacturing, Water supply (sewerage, waste management)

Figure 2.4: GDP Contribution by Sector (%), 2018-2022




***Source of data: Kenya National Bureau of Statistics; +Revised; *Provisional***

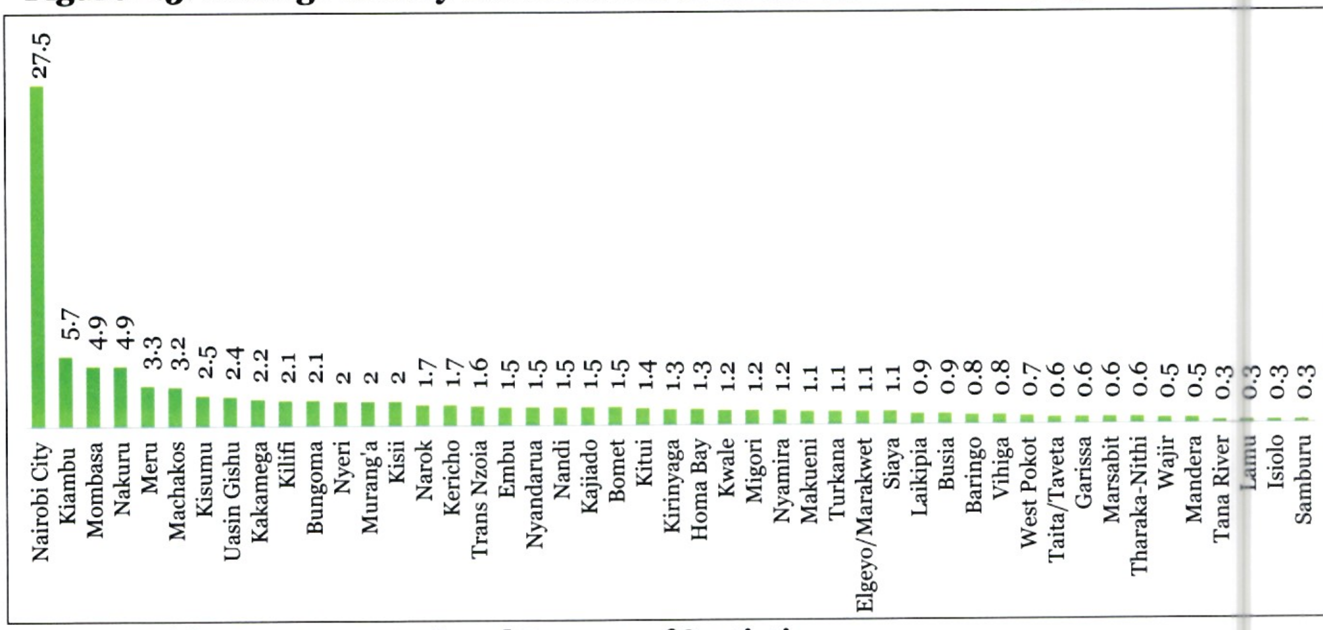
In the medium term, a strong recovery in the primary and tertiary sectors will drive the secondary sector. The government is also focussed on the implementation of the Bottom-up Economic Transformation Agenda (BETA) which is geared towards economic turnaround and inclusive growth. The Agenda aims at increasing investments in five core pillars envisaged to have the largest impact on the economy and household welfare. These are: Agricultural Transformation and Inclusive Growth; Micro, Small and Medium Enterprise (MSME); Housing and Settlement; Healthcare; and Digital Superhighway and Creative Industry.

The government is also implementing strategic interventions under the following key enablers: Infrastructure; Manufacturing; Blue Economy; the Services Economy, Environment and Climate Change; Education and Training; Women Agenda; Youth Empowerment and Development Agenda; Social Protection; Sports, Culture and Arts; and Governance.

### 2.2.2. Gross County Product

The Gross County Product (GCP) differs across counties based on the vibrancy of the economic activities. Between 2018 and 2022, counties with large commercial centres namely: Nairobi City County, Kiambu, Mombasa City County and Nakuru accounted for the highest contribution to the economy's Gross Value Added (GVA)[4]. Nairobi City County accounted for 27.5 per cent of the total economy's GVA (Figure 2.5).

**Figure 2.5: Average County Contribution to Gross Value Added (%), 2018-2022**

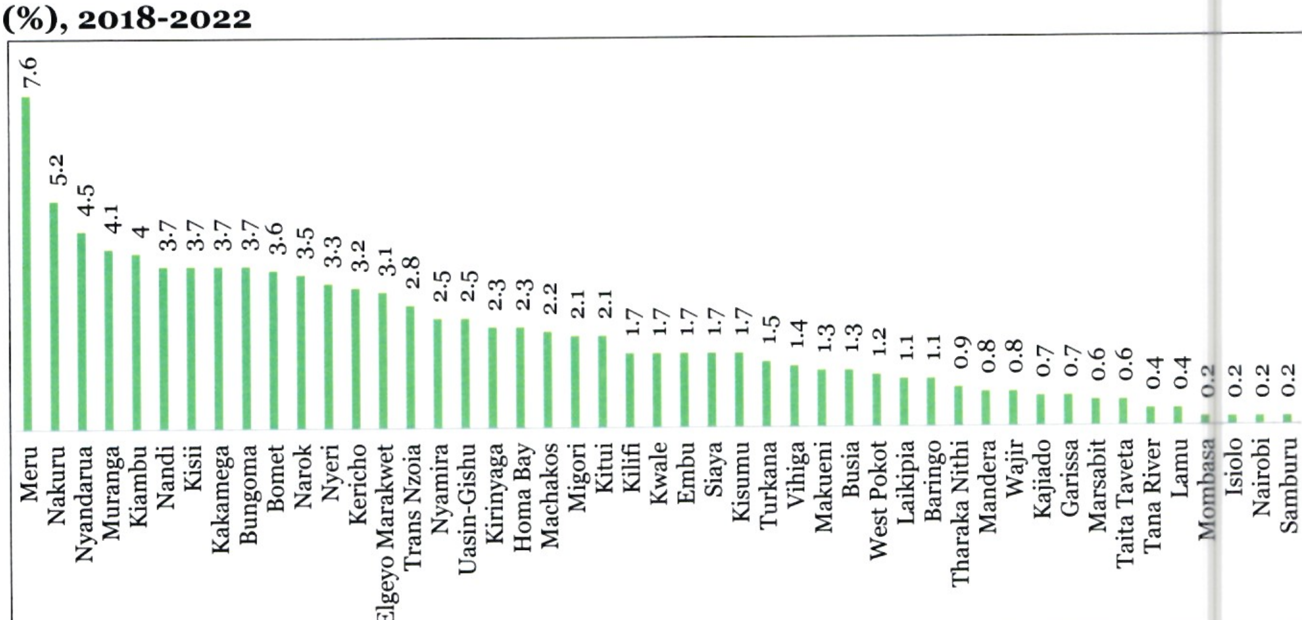



***Source of data: Kenya National Bureau of Statistics***

Fifteen counties which are predominantly rural and those with few commercial centres accounted for less than one per cent each to the GVA.

The GCP contribution by sectors shows that counties where large-scale grain farming is practiced and those engaged in cultivation of food and cash crops, and rearing of livestock and with availability of forest resources contributed significantly to the agriculture GVA (Figure 2.6). These counties include: Meru; Nakuru; Nyandarua; Murang'a and Kiambu.

**Figure 2.6: Average County Contribution to Agriculture, Forestry and Fishing (%), 2018-2022**




***Source of data: Kenya National Bureau of Statistics***

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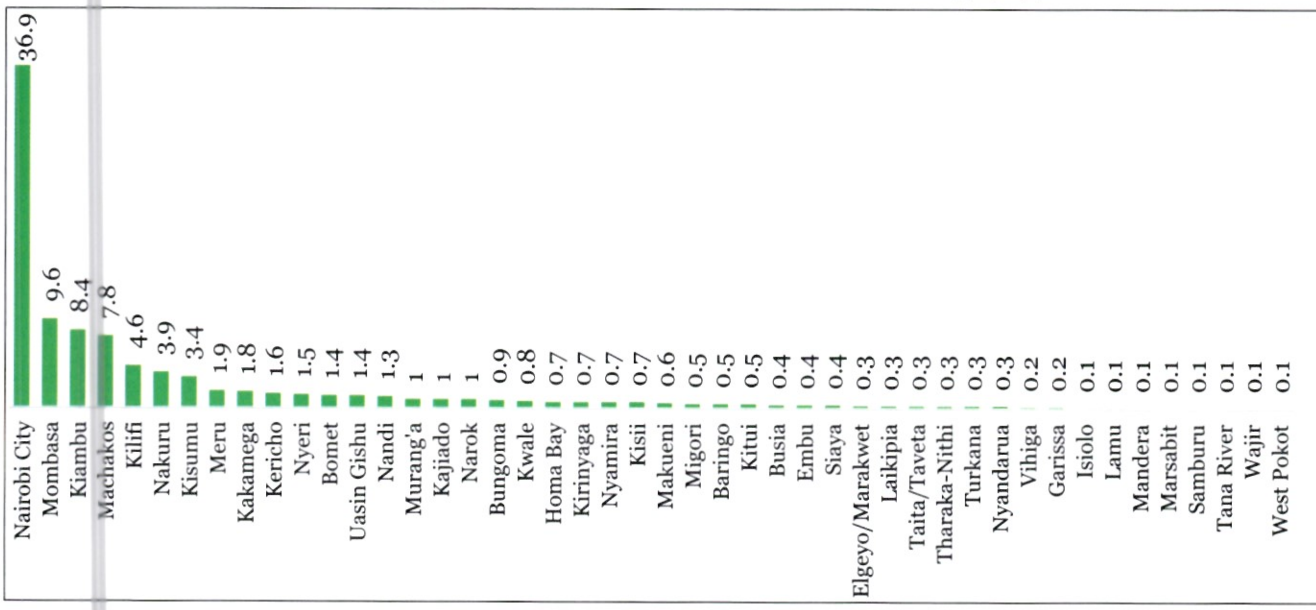
5Gross Value Added (GVA) refers to the contribution of the county to the total output of the country

- Counties with high vibrancy of both formal and informal manufacturing activities and those that benefit from the presence of Export Processing Zones boast of a high contribution to the manufacturing GVA (Figure 2.7). These include: Nairobi City; Mombasa; Kiambu and Machakos counties.

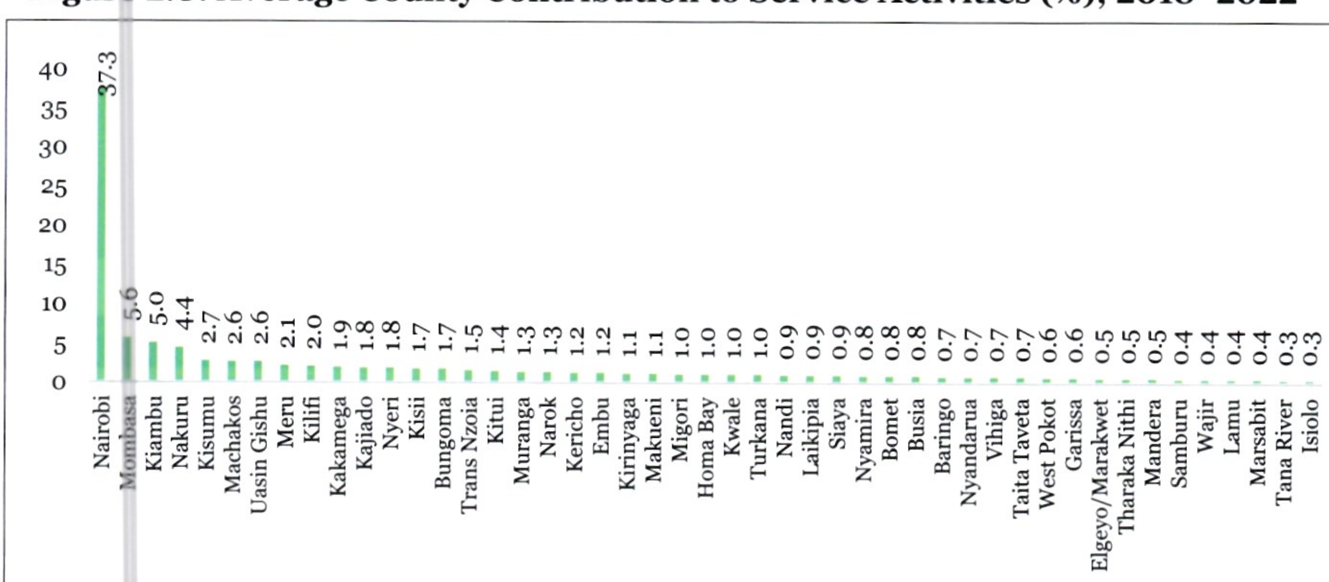
**Figure 2.7: Average County Contribution to Manufacturing (%), 2018- 2022**



***Source of data: Kenya National Bureau of Statistics***

Nairobi City County contributed a relatively higher share of service activities to the GVA at 37.3 per cent on average. Mombasa and Kiambu are the only other counties that contributed 5.0 per cent and above each to the total GVA of service activities as shown in Figure 2.8. Seventeen (21) counties each contributed less than 1.0 per cent to the services GVA.

**Figure 2.8: Average County Contribution to Service Activities (%), 2018 -2022**

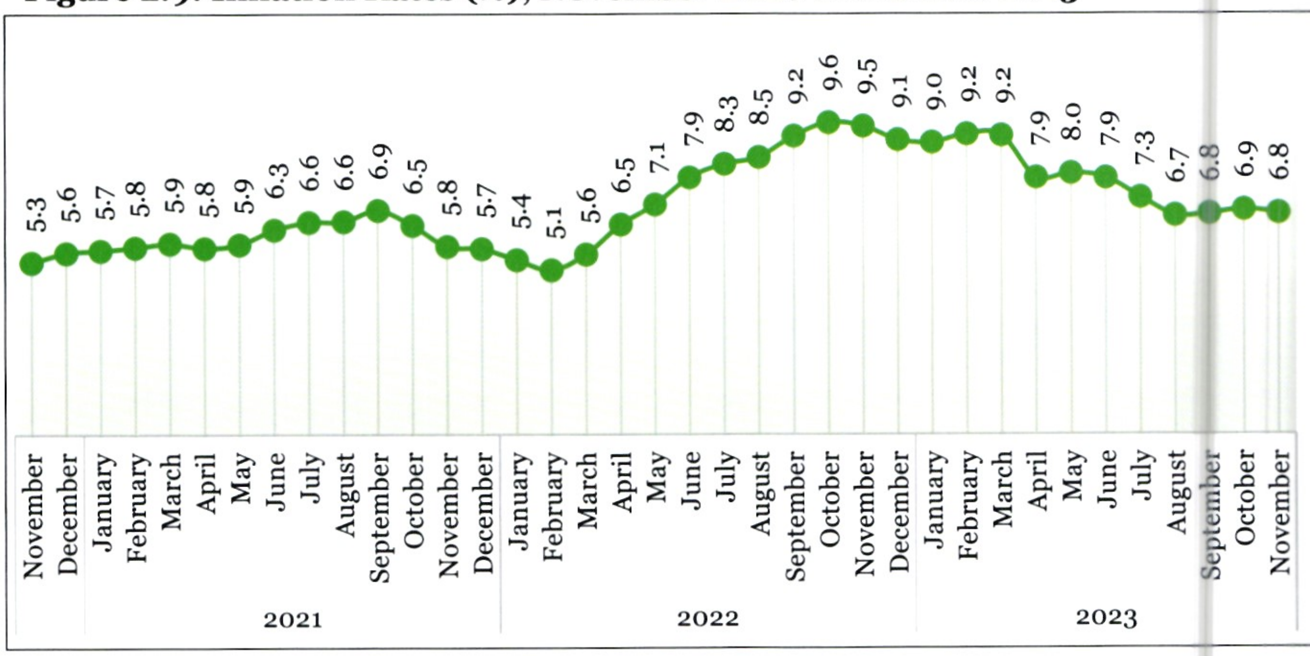


***Source of data: Kenya National Bureau of Statistics***

### 2.2.3 Inflation

Inflation remained above the government's target range of 5±2.5 per cent between November 2020 and November 2023 as shown in Figure 2.9. This was mainly driven by high food and commodity prices. Between July 2023 and November 2023, inflation eased to the government's target range due to a reduction of food prices and the effect of the monetary policy tightening.

**Figure 2.9: Inflation Rates (%), November 2020-November 2023**




***Source of data: Kenya National Bureau of Statistics***

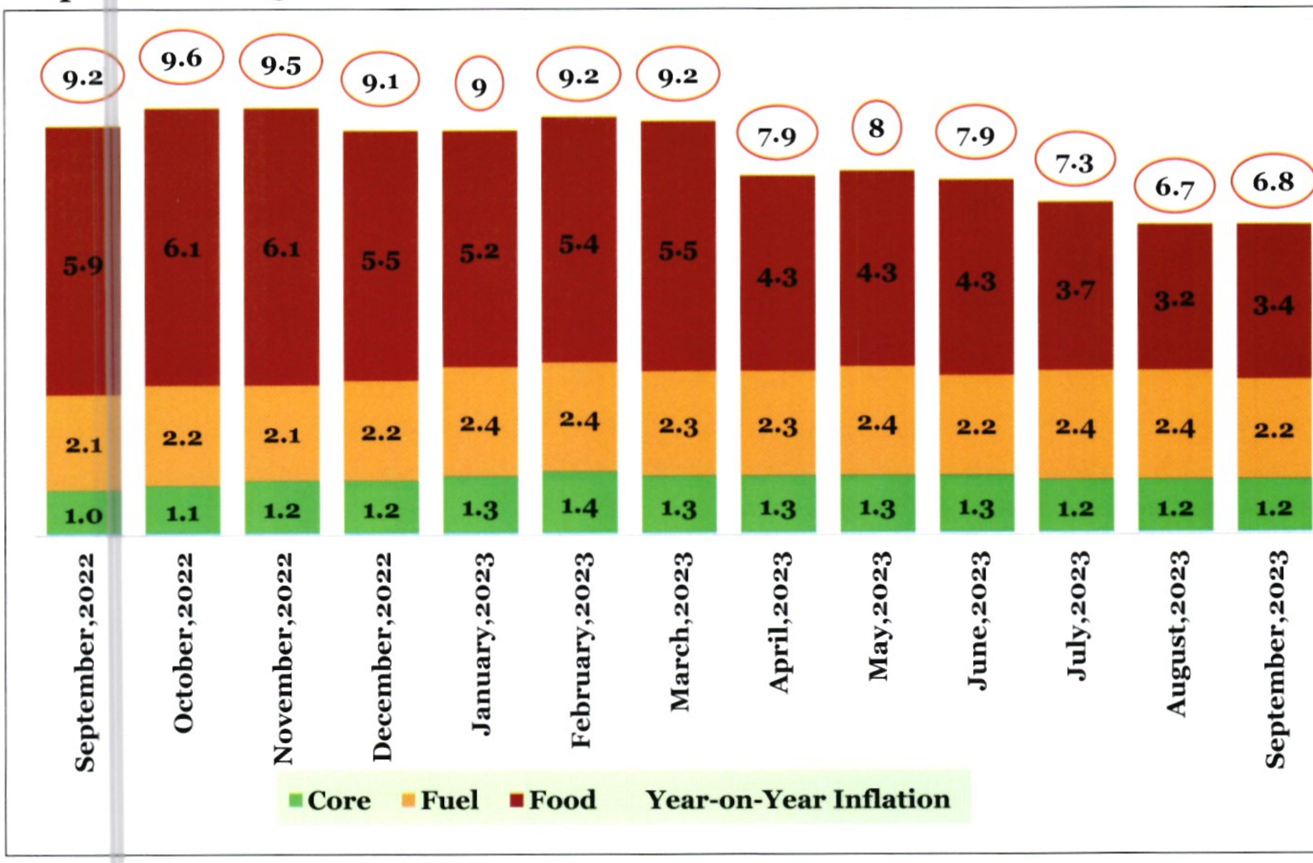
Inflation is decomposed into two: headline and core inflation. Headline inflation takes into account food and fuel inflation while core inflation constitutes non-food, non-fuel inflation.

**Food inflation** remained the dominant driver of overall inflation between September 2022 and September 2023 as shown in Figure 2.10. However, it declined to 3.4 per cent in September 2023 from a peak of 5.9 per cent in September 2022 reflecting easing of food prices arising from increased supply due to harvests.

**Fuel inflation** remained elevated above 2 per cent between September 2022 and September 2023 as shown in Figure 2.10. The increase reflects gradual withdrawal of the fuel subsidy from September 2022 and the upward adjustment of electricity tariff from April 2023. In addition, the upward adjustment of Value Added Tax (VAT) on petroleum products in July 2023 from 8.0 per cent to 16.0 per cent exerted upward pressure on prices. Fuel inflation declined in September 2023 to 2.2 per cent from 2.4 per cent in August 2023 due to the decline in international oil prices.

**Core (non-food non-fuel) inflation** increased from 1.0 per cent in September 2022 to a peak of 1.4 per cent in February 2023 but declined to 1.2 per cent in September 2023. The decline is attributed to the contractionary monetary policy aimed at taming the spillover effects of high inflation rates.

**Figure 2.10: Food, Fuel and Core Inflation Rates (%), September 2022-September 2023**



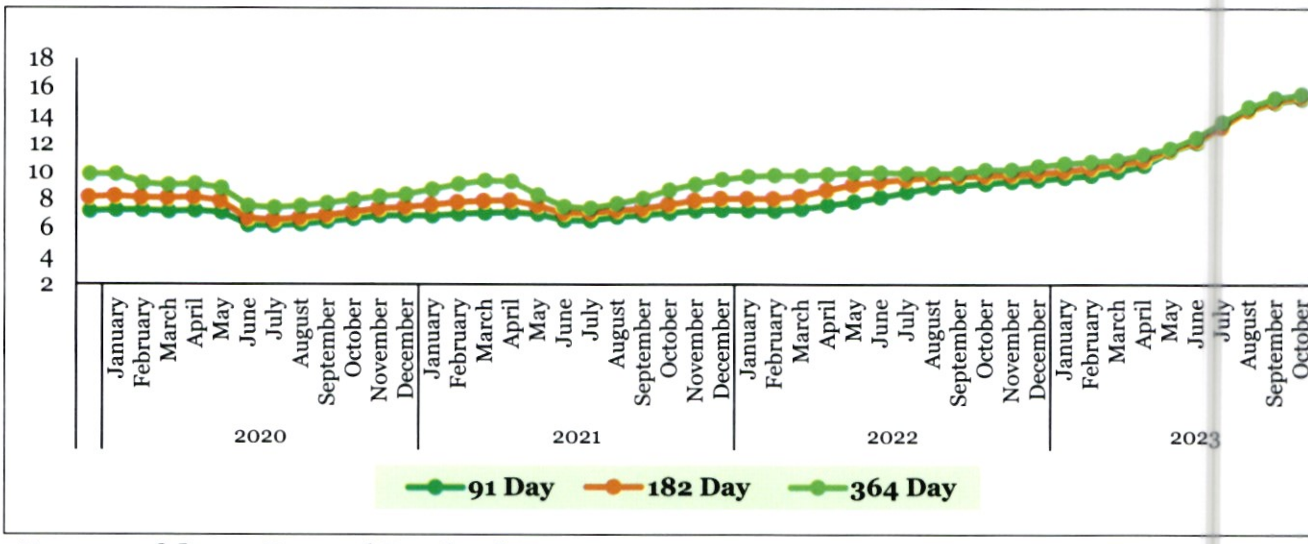

***Source of data: Central Bank of Kenya***

## 2.3. Monetary Sector

### 2.3.1. Interest Rates

The 91-day Treasury Bills rate increased to 15.2 per cent in November 2023 from 9.2 per cent in November 2022 (Figure 2.11). The 182-day Treasury Bills rate increased to 15.3 per cent in November 2023 from 9.7 per cent in November 2022 while the 364-day Treasury Bill rate also increased to 15.5 per cent from 10.2 per cent over the same period. The increased Treasury Bills Rates reflect the effects of the tightened monetary policy aimed at anchoring inflation expectations due to the inflationary pressures. Indeed, the Central Bank Rate (CBR) was increased from 7.50 per cent in May 2022 to 10.50 per cent in August 2023 and to 12.50 per cent in November, 2023.

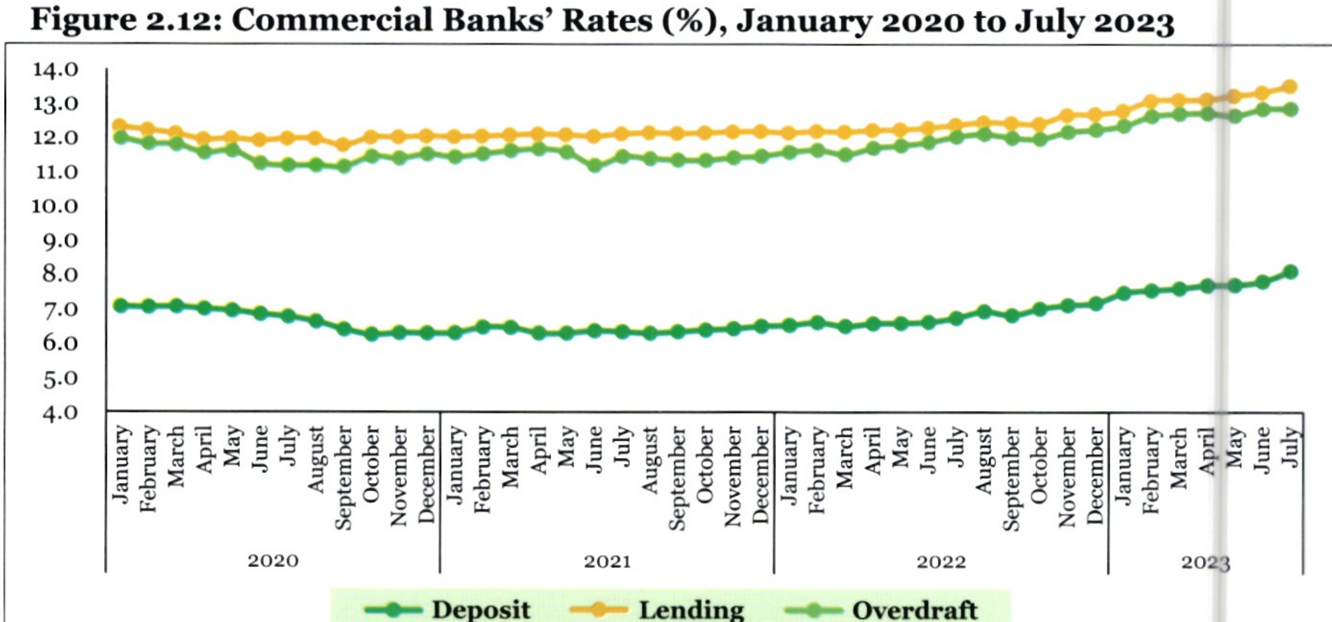
**Figure 2.11: Treasury Bills Rates (%), January 2020 to October 2023**




***Source of data: Central Bank of Kenya***

Commercial banks' average lending and deposit rates increased in the year to July 2023 in tandem with the tightening of the monetary policy stance as shown in Figure 2.12. The average lending rate increased to 13.5 per cent in July 2023 from 12.0 per cent in July 2022 while the average deposit rate increased to 7.8 per cent from 6.6 per cent over the same period.

**Figure 2.12: Commercial Banks' Rates (%), January 2020 to July 2023**

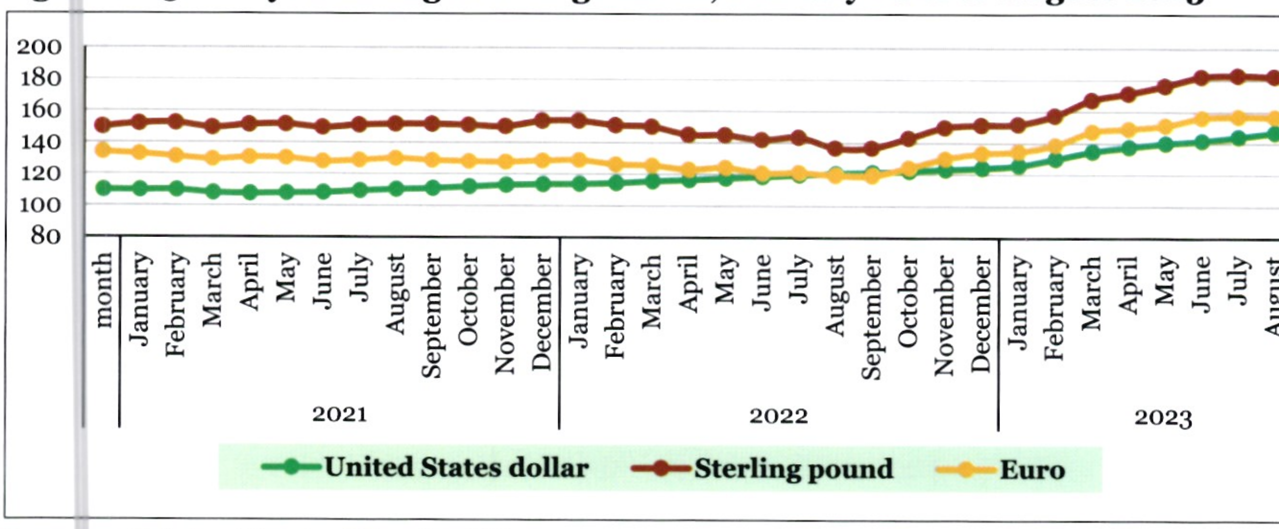



***Source of data: Central Bank of Kenya***

### 2.3.2 Exchange Rates

The Kenyan foreign exchange market remained under pressure in the year to August 2023 due to rising US interest rates and elevated commodity prices. The Kenya shilling exchange rate to the US Dollar weakened by 20.5 per cent in the 12 months to August 2023 compared to 9.3 per cent in the 12 months to August 2022. The shilling exchanged against the US Dollar at Ksh. 143.9 in August 2023 compared to Ksh. 119.5 in August 2022. The Shilling depreciated by 29.8 per cent and 27.4 per cent against the Euro and the Sterling Pound, respectively, between August 2022 and August 2023 (Figure 2.13)

**Figure 2.13: Kenya Shilling Exchange Rates, January 2021 to August 2023**




***Source of data: Central Bank of Kenya***

Exchange rate fluctuations have an effect on current account balance and the amount of debt service repayable on foreign denominated loans. The continued depreciation of the Kenya shilling against the US Dollar is expected to lead to costly foreign debt repayment obligations given that over 60 percent of the external debt is held in US Dollar.

# 3. FISCAL PERFORMANCE

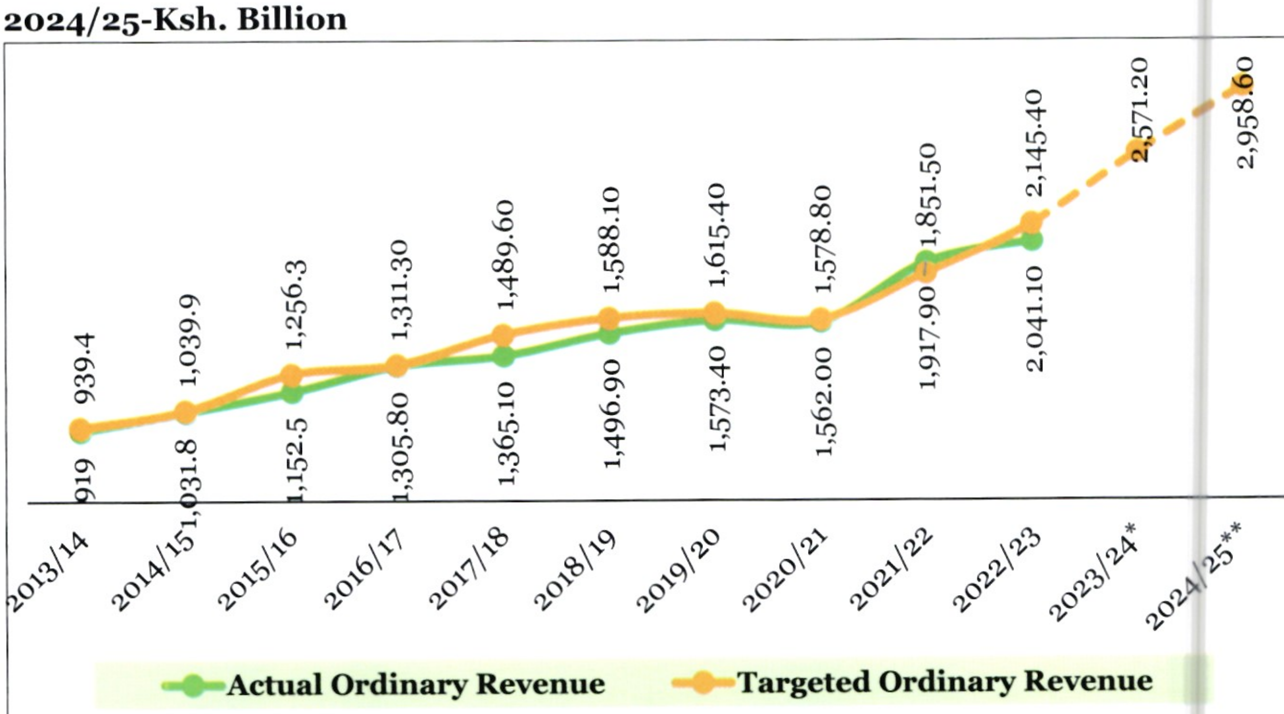
## 3.1 Introduction

This section analyses the performance of nationally raised revenues, expenditures of the national government, public debt and pending bills. Further the section analyses county governments' revenues and expenditures. 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

Nationally raised revenue (ordinary revenue) has been increasing year-in-year and is projected to increase to Ksh. 2,571.2 billion and Ksh. 2,958.6 billion in the financial years 2023/24 and 2024/25, respectively (Figure 3.1). Despite the increase, actual ordinary revenue fell below target in all years except for financial year 2021/22. The highest shortfall of Ksh. 124.5 billion was in the financial year 2017/18.

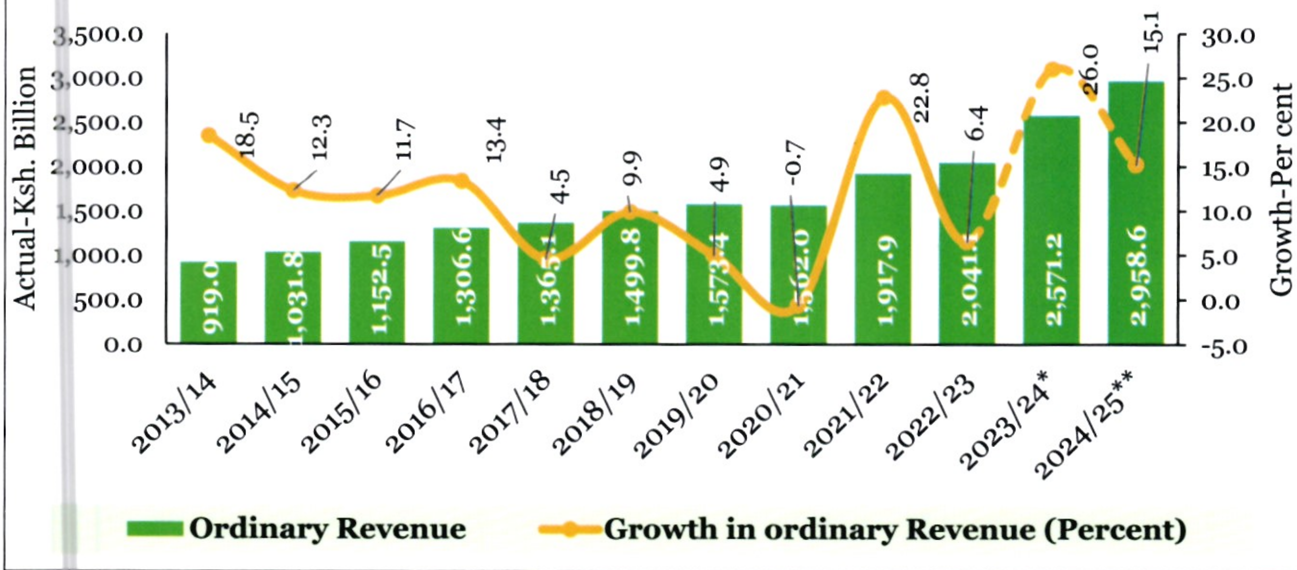
**Figure 3.1: Actual and Targeted Ordinary Revenue for FYs 2013/14 to 2024/25-Ksh. Billion**




***Source of data: The National Treasury***
***Projected**
****Targeted**

The percentage growth in actual ordinary revenue collection has been fluctuating over the years registering the lowest growth of negative 0.7 per cent in the financial year 2020/21 owing to the government's fiscal and monetary policies aimed at cushioning the citizens against the COVID-19[5] pandemic. Ordinary revenue is projected to grow by 26 per cent and 15.1 per cent in the financial years 2023/24 and 2024/25, respectively (Figure 3.2).

**Figure 3.2: Growth in Ordinary Revenue for FYs 2013/14 to 2024/25**




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

***Projected**
****Targeted**

To realise the projected growth of 26 per cent in ordinary revenue (Ksh. 530.1 billion) between the financial year 2022/23 and 2023/24 the government introduced several revenue enhancement measures through the Finance Act of 2023. The changes include: introduction of a fourth and fifth Pay As You Earn (PAYE) tax bands, increase in VAT on petroleum products (excluding Liquefied Petroleum Gas) to 16 per cent and increase in excise duty on various excisable goods and services among others. These are summarised in Appendix 1.

The performance of ordinary revenue across the main tax heads reveals high deviations from income tax, VAT and excise duty as shown in Table 3.1.

**Table 3.1: Tax Performance of the Main Tax Heads, FYs 2021/22 to 2024/25**

| Revenue Type | 2021/22 -Ksh. Billion | | | 2022/23-Ksh. Billion | | | 2023/24-Ksh. Billion | 2024/25-Ksh. Billion |
|---|---|---|---|---|---|---|---|---|
| | Actual | Target | Deviation | Actual | Target | Deviation | Target | Target |
| Income Tax | 876.7 | 836.7 | 40.0 | 941.6 | 982.1 | -40.6 | 1,198.5 | 1,325.7 |
| VAT | 523.1 | 514.1 | 9.0 | 550.4 | 580.6 | -30.2 | 703.3 | 804.7 |
| Excise duty | 252.1 | 255.9 | -3.8 | 264.5 | 294.0 | -29.5 | 352.7 | 401.1 |
| Import duty | 118.3 | 115.9 | 2.4 | 130.1 | 142.7 | -12.6 | 173.3 | 199.4 |
| Other revenue* | 147.7 | 129.0 | 18.8 | 154.5 | 146.0 | 8.5 | 143.4 | 227.8 |

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

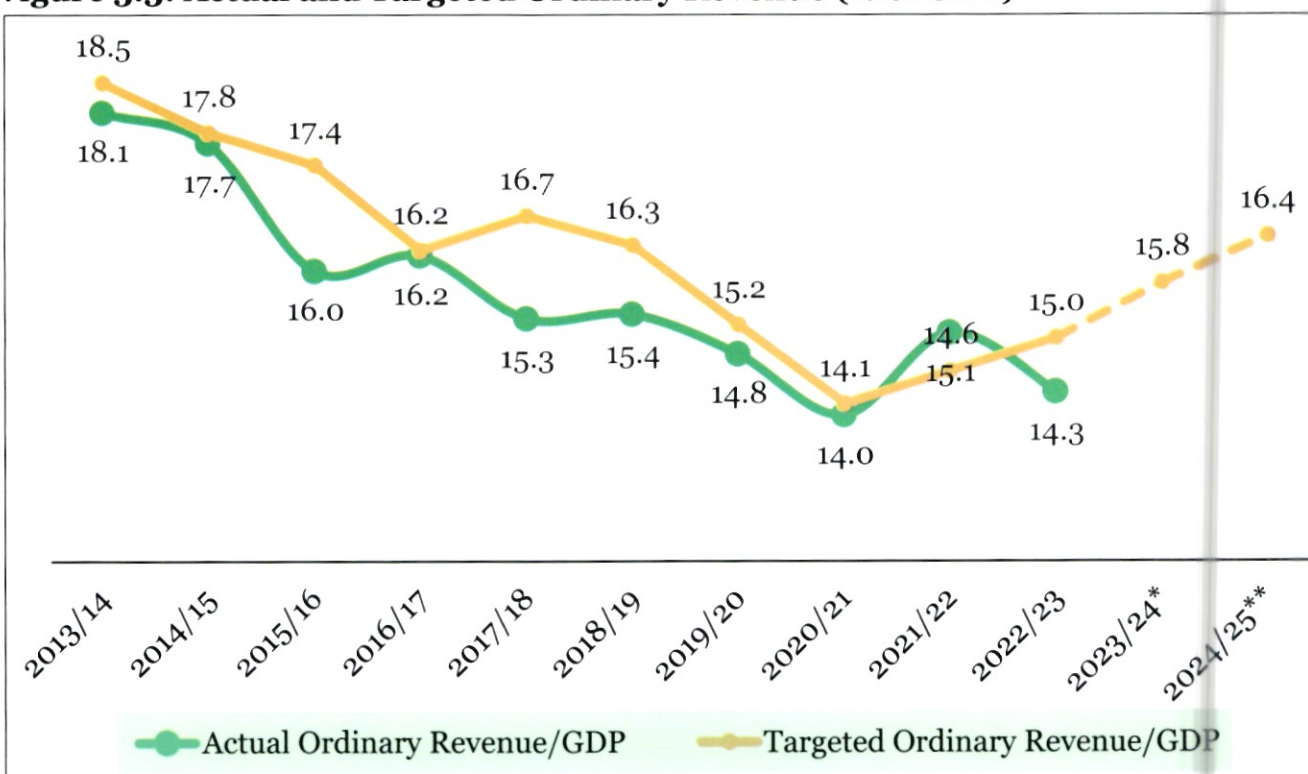
[5]Some of the measures included: a reduction in turnover tax rate (from 3 to 1 per cent), a reduction in the corporate and individual income tax rate (from 30 to 25 per cent), and a reduction in the Value Added Tax (VAT) rate (from 16 to 14 per cent).

*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

Despite the concerted efforts by government to increase revenue collection through tax policy and administrative measures, the performance of ordinary revenue between July and November 2023 has fallen below target by Ksh.98.2 billion. The deficit is attributed majorly in income tax which fell below target by Ksh. 76.6 billion. VAT, investment income and mop up and other revenue surpassed the target by Ksh. 2.2 billion, Ksh.3.8 billion and Ksh. 2.0 billion respectively.

Actual ordinary revenue and targeted ordinary revenue to GDP have been on a declining trend (Figure 3.3). Actual ordinary revenue to GDP declined from 18.1 per cent in the financial year 2013/14 to 14.3 per cent in 2022/23. The targeted ordinary revenue to GDP is expected to be 16.4 percent in the financial year 2024/25.

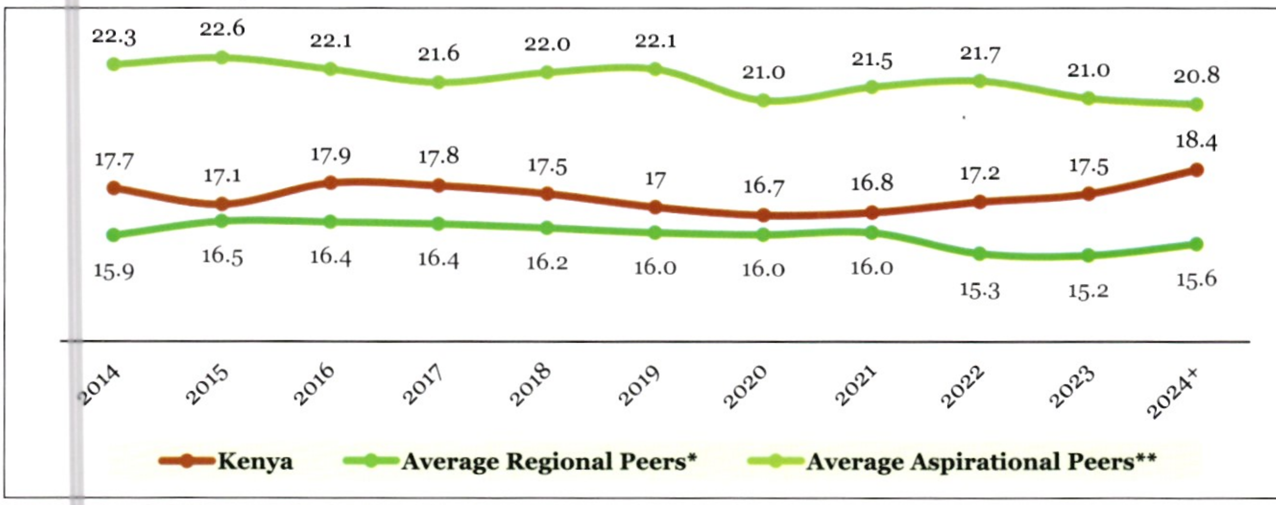
**Figure 3.3: Actual and Targeted Ordinary Revenue (% of GDP)**




***Source of data: The National Treasury***
***Projected**
****Targeted**

Between 2014 and 2022 Kenya's tax revenue to GDP averaged 17.3 per cent annually. Figure 3-4 shows that Kenya's tax revenue to GDP on average falls below that of the aspirational peers which averaged 21.9 per cent over the same period.

**Figure 3.4: Kenya's Tax to GDP Ratio relative to Selected Countries (2014 to 2024)**



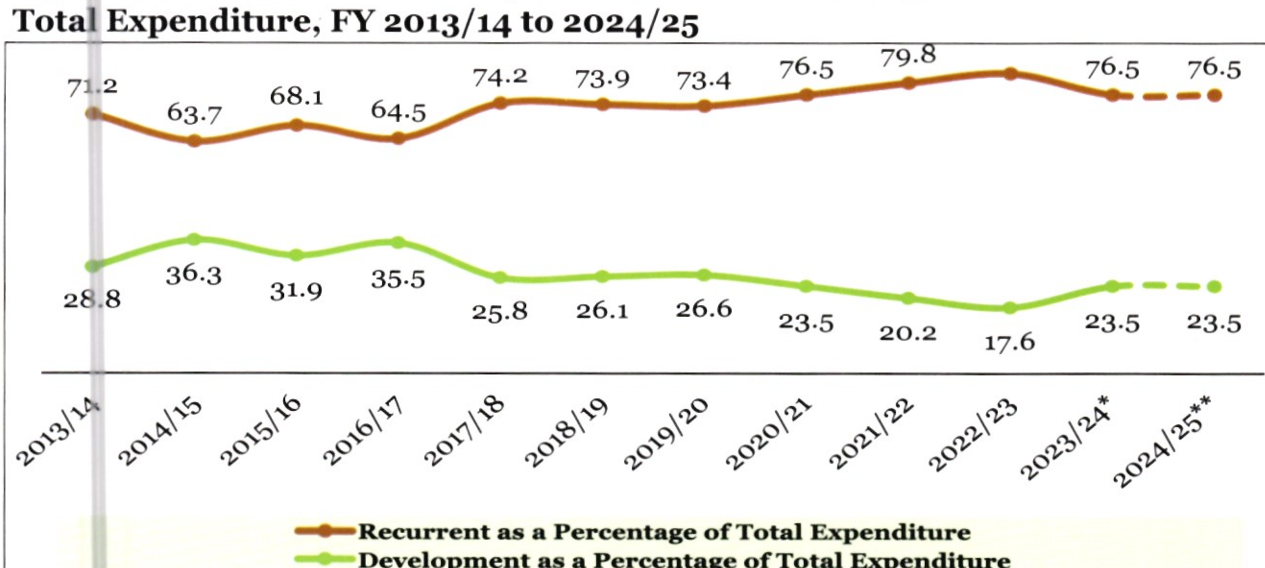

***Source of data: Fiscal Monitor, International Monetary Fund***
***Regional peers: Tanzania, Uganda, Rwanda, & Ethiopia**
****Aspirational peers: Malaysia, Thailand, India & South Africa**
**+Projected**

The shortfall in the ordinary revenue has often constrained the fiscal space and the quantum of revenue available for sharing between the two levels of government. The effect of revenue shortfall is borne by the national government given that the county governments are cushioned from revenue deductions occasioned by revenue shortfalls. This has over time constrained the government's fiscal consolidation efforts and led to the accumulation of public debt.

### 3.3. Performance of Government Expenditure

The ratio of the ministerial development expenditure to its total expenditure has been declining from the financial year 2014/15 (Figure 3.5). Notably, the ratio declined from 35.5 per cent to 17.6 per cent between the financial year 2016/17 and 2022/23.

**Figure 3.5: Ministerial Development and Recurrent Expenditures as % of Total Expenditure, FY 2013/14 to 2024/25**

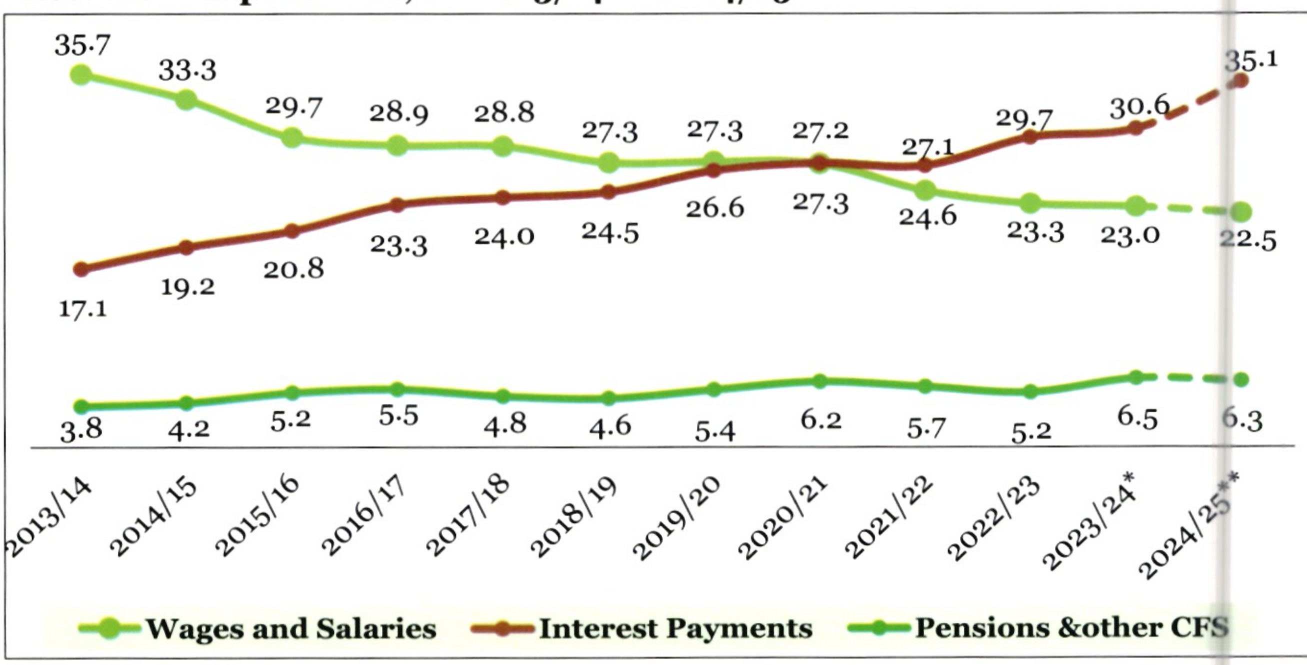



***Source of data: The National Treasury***
***Projected**
****Targeted**

The recurrent expenditure as a percentage of total government expenditure increased from 64.5 per cent in the financial year 2016/17 to 82.4 per cent in 2022/23.

A breakdown of the recurrent expenditure into the non-discretionary expenditure items namely: wages and salaries, interest payments, pension and other Consolidated Fund Service (CFS) reveals that expenditure on interest payments has largely contributed to the expansion in the recurrent expenditure as shown in Figure 3.6.

**Figure 3.6: National Government's Non-Discretionary Items as Percentage of Recurrent Expenditure, FY 2013/14 to 2024/25**




***Source of data: The National Treasury***
***Projected**
****Targeted**

Interest payments as a percentage of the recurrent expenditure rose from 17.1 per cent in the financial year 2013/14 to 29.7 per cent in the financial year 2022/23 and is projected to rise further to 30.6 per cent in 2023/24. The continued increase in interest payment reflects not only the increased accumulation of public debt but also the high cost of servicing due to the continued depreciation of the Kenyan Shilling against the major currencies.

## 3.4 Pending bills

The outstanding pending bills of the national government as at 30th June 2023 were Ksh.567.5 billion. This constituted Ksh. 275.9 billion and Ksh. 291.5 billion in recurrent and development expenditures, respectively (Table 3.2). The pending bills include payments due to contractors/projects, suppliers, unremitted statutory and other deductions, and pension arrears for Local Authorities Pension Trust. State corporations/state owned enterprises make up over 70 per cent of the pending bills.

**Table 3.2: Status of National Government Pending Bills as at June 2023 in Ksh. Billion**

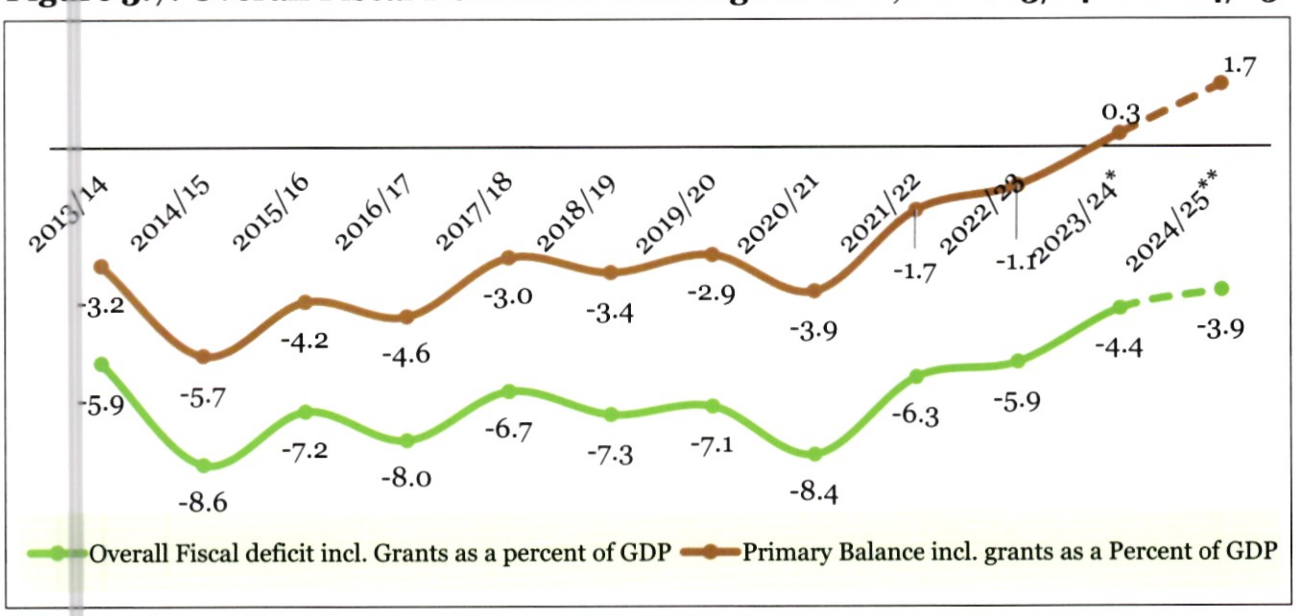
| Recurrent | Amount |
|---|---|
| a) MDA's | 87.84 |
| b) State Corporations/State Owned Enterprises/SAGA's | |
| Pay as you earn | 20.16 |
| National Social Security Fund | .18 |
| National Hospital Insurance Fund | .03 |
| Unremitted Sacco deductions | 2.5 |
| Unremitted staff loan deductions | 1.78 |
| Pension arrears | 46.81 |
| Others | 85.6 |
| Consumables & general supplies | 31.07 |
| Total Recurrent | 275.97 |
| Development | |
| a) MDA's | 36.07 |
| b) State Corporations/State Owned Enterprises/SAGA's | 255.46 |
| Total Development | 291.53 |
| TOTAL PENDING BILLS | 567.5 |

***Source of data: Office of the Controller of Budget***

## 3.5 Fiscal Deficit

The overall fiscal deficit to GDP declined from 8.4 per cent in the financial year 2020/21 to 5.9 per cent in 2022/23 (Figure 3.7). Despite the decline the fiscal deficit has remained above the 5 per cent threshold. The deficit is expected to decline further to 4.4 per cent in the financial year 2024/25 as a result of the government's fiscal consolidation efforts and the repayment of maturing debt.

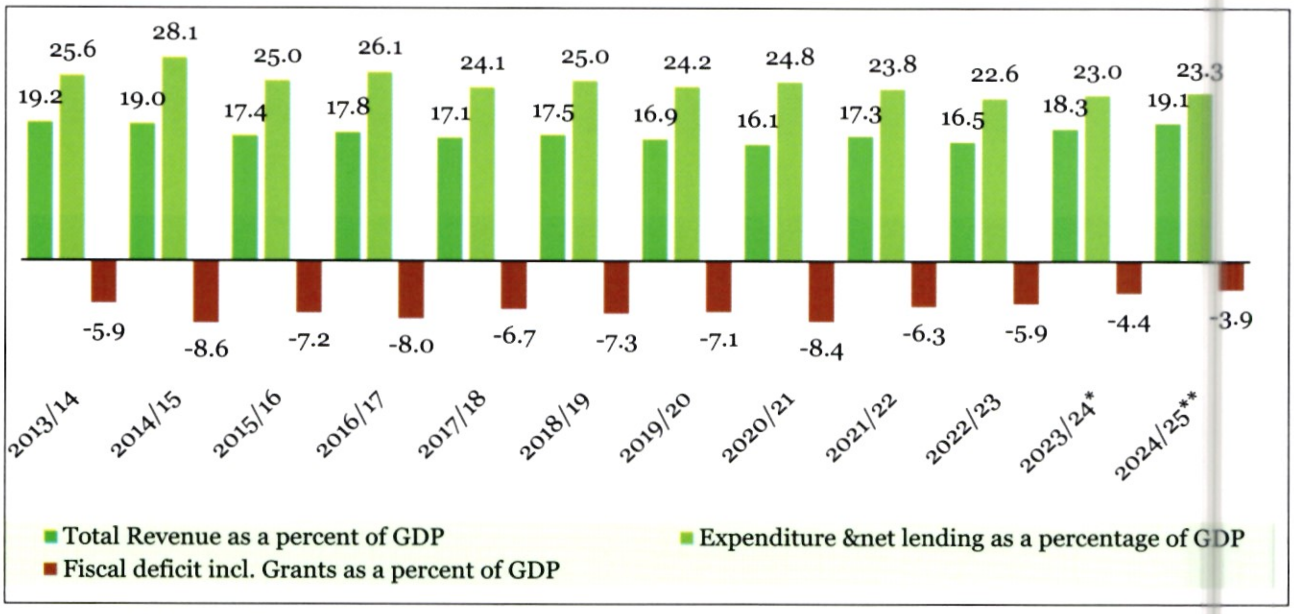
**Figure 3.7: Overall Fiscal Deficit as Percentage of GDP, FY 2013/14 to 2024/25**




***Source of data: The National Treasury;***
****Projected;***
*****Targeted***

The overall fiscal balance vis-a-vis the primary balance[6] shows that the main contributing factor to the continued high fiscal balances is the interest payments. While the primary fiscal balance has remained below 5 per cent, the overall fiscal balance has been above 5 per cent (Figure 3.8). During the financial year 2023/24 and 2024/25 the government projects to attain a positive primary fiscal balance of 0.3 and 1.7 per cent respectively.

**Figure 3.8: Overall and Primary Fiscal Balances as a Per cent of GDP**



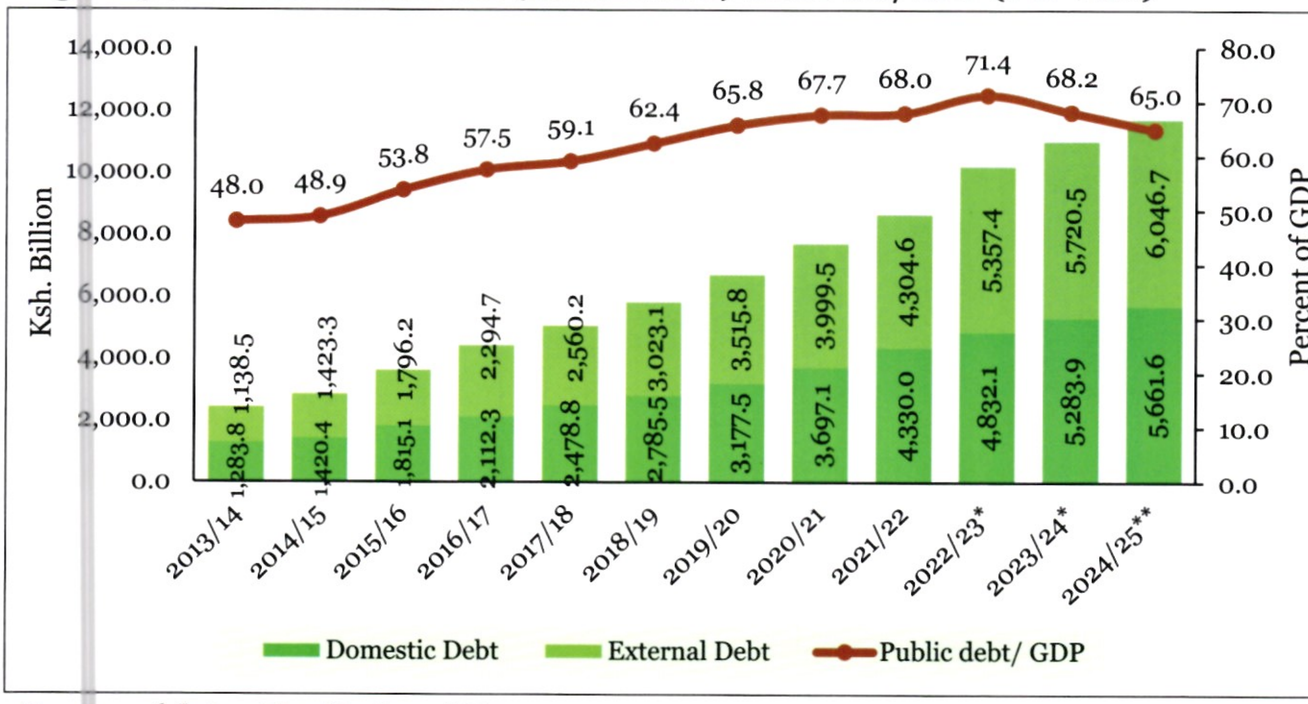

***Source of data: The National Treasury***
***Projected**
****Targeted**

## 3.6 Public Debt

The gross public debt has continued to rise since the financial year 2013/14. It rose from Ksh. 8,634.6 billion (68 per cent of GDP) in the financial year 2021/22 to Ksh. 10,189.5 billion (71.4 per cent of GDP) in the financial year 2022/23 (Figure 3.9). The Government has projected that the gross public debt will rise to Ksh. 11,708.3 billion (65 per cent of GDP) in the financial year 2024/25.

[6] Primary balance excludes interest payment from total expenditure

**Figure 3.9: Gross Public Debt (Ksh. Billion) and Debt/GDP (Per cent)**




***Source of data: The National Treasury***
***Projected**
****Targeted**

The composition of the domestic debt changed in favour of the Treasury Bonds with a longer maturity between June 2019 and June 2023. This is in line with the government's objective of managing refinancing risk. The composition of domestic debt shows an increase in the percentage of Treasury Bonds from 62.8 per cent in June 2019 to 83.1 per cent in June 2023 (Table 3.3).

**Table 3.3: Domestic Debt Composition (%) June 2019 to June 2023**

| Domestic Debt* | June-19 | June-20 | June-21 | June-22 | June-23+ |
|---|---|---|---|---|---|
| Treasury Bonds | 62.8 | 69.8 | 77.1 | 82.4 | 83.1 |
| Treasury Bills | 34.3 | 27.9 | 20.7 | 14.5 | 12.7 |
| Others (CBK Overdraft) | 2.2 | 1.6 | 1.7 | 1.7 | 1.6 |
| IMF SDR Allocation | 0 | 0 | 0 | 0.9 | 2 |

***Source of data: The National Treasury***
***Excludes Pre-1997 government debt**
**+Provisional**

The tightening of monetary policy to contain inflation rates has had an effect on the cost of domestic debt. The average interest rate on a 364-day Treasury Bill rose from 10.3 per cent in December 2022 to 15.6 per cent in November 2023 while the average interest rate on the Treasury Bond rose from, 13.2 per cent in December 2022 to 17.9 per cent in November, 2023. Unlike Treasury Bills which are short term, Treasury Bonds have longer maturity period and therefore attract higher interest rates.

As at June 2023 50.5 per cent of the external debt was composed multilateral loans and this was an increase from 31.8 per cent in June 2019 (Table 3.4.). The proportion of commercial debt has progressively declined from 35.6 per cent in June 2019 to 25.4 per cent in June 2023. The decline is in line with the government's objective of restructuring external debt from the more expensive commercial debt to multilateral concessional lending which has longer maturity period and attract lower interest rates.

**Table 3.4: External Debt Composition (%) June 2019 to June 2023**

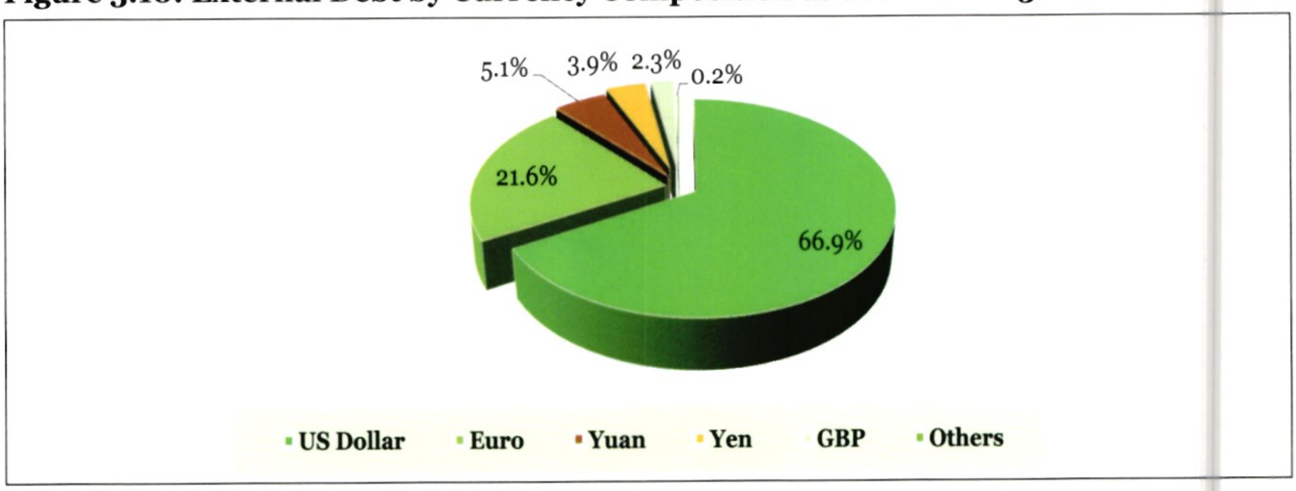
| External Debt | June 2019 | June 2020 | June 2021 | June 2022 | June 2023+ |
|---|---|---|---|---|---|
| **Multilateral** | 31.8 | 39.3 | 43.2 | 46.3 | 50.5 |
| **Bilateral** | 32.1 | 29.7 | 27.7 | 26.6 | 23.8 |
| **Commercial** | 35.6 | 30.5 | 28.8 | 26.8 | 25.4 |
| **O/w ISB holders** | 21.8 | 19.4 | 19.9 | 20.1 | 19 |
| **Suppliers' Credit** | 0.6 | 0.5 | 0.2 | 0.3 | 0.3 |

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

**+Provisional**

The external debt by currency composition shows that 66.9 per cent is held in US Dollar, 21.6 per cent in Euro and 5.1 per cent in Chinese Yuan (Figure 3.10).

**Figure 3.10: External Debt by Currency Composition as at June 2023**




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

The depreciation of the Kenya Shilling against major currencies has an effect on the stock of external debt. The Kenya Shilling depreciated by 20.5 per cent against the US Dollar between August 2022 and August 2023. It depreciated by 29.8 per cent and 27.4 per cent against the Euro and Sterling Pound, respectively within the same period. This depreciation has had a negative effect of increasing the stock of the public debt as shown in Table 3.5.

**Table 3.5: Effects of Currency Depreciation on the External Debt Stock -Ksh. Billion**

| External Debt Stock-June 2022 | External Debt Stock-June 2023 | Disbursements | Repayments | Change of stock between June 2022 &June 2023 due to depreciation of the Ksh. |
|---|---|---|---|---|
| 4,305.8 | 5,446.6 | 505.2 | 248.1 | 883.5 |

***Source of data: IMF Country Report No. 23/266-July 2023***

Overall, the Present Value (PV) of debt to GDP ratio is above the 55 percent sustainability threshold between 2022 and 2027 (Table 3.6)

**Table 3.6. Overall Debt Sustainability 2022 to 2027**

| Indicators | Benchmark | 2022 | 2023+ | 2024+ | 2025+ | 2026+ | 2027+ |
|---|---|---|---|---|---|---|---|
| PV of debt-to-GDP ratio | 55 | Projections | | | | | |
| | | 63.1 | 64.4 | 61.9 | 60.2 | 58.3 | 56.6 |

***Source of data: IMF Country Report No. 23/266-July 2023***
**+projected**

Section 6 of the Public Finance Management (Amendment) Act 2023, amended the debt sustainability thresholds to 55 percent in PV terms with a compliance period of not later than five years from 17th October 2023-the date of coming into force of the Act. The national government is required only in exceptional circumstances to exceed the threshold by not more than five per cent.

The external debt sustainability thresholds show that external debt levels are sustainable though with high levels of debt distress from exogenous shocks from exports and exchange rate. the Present Value (PV) of external debt-to-GDP is below the 40 per cent threshold for the period 2022 - 2027 (Table 3.7). The sustainability thresholds are however breached in PV of debt-to-exports ratio and Public and Publicly Guaranteed (PPG) debt service-to-exports ratio due to sub-due growth in exports. The breach of the PPG debt service-to-revenue ratio is breached in 2024 due to the maturity of a USD 2 billion international sovereign bond in June 2024.

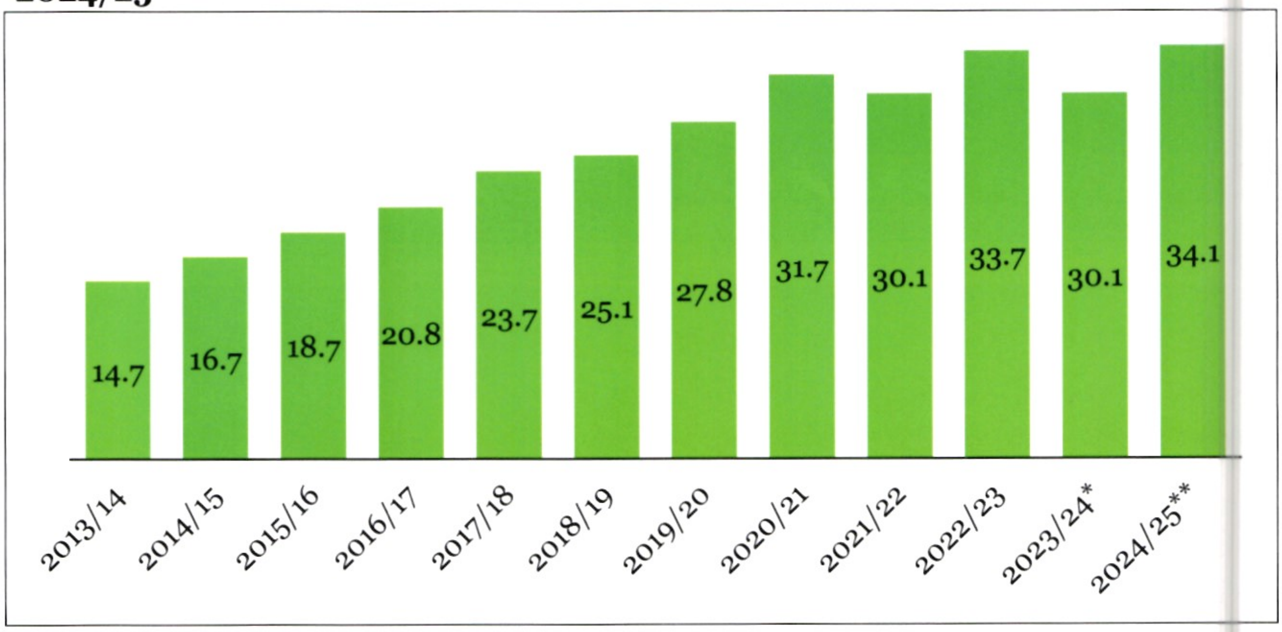
**Table 3.7: External Debt Sustainability 2022 to 2027**

| Indicators | Thresholds | 2022 | 2023 | 2024+ | 2025+ | 2026+ | 2027+ |
|---|---|---|---|---|---|---|---|
| **PV of debt–to-GDP ratio** | 40 | 27.8 | 29.5 | 30.5 | 29.4 | 28.0 | 27.1 |
| **PV of debt-to-exports ratio** | 180 | 228.3 | 220.4 | 210.8 | 195.6 | 181.7 | 170.3 |
| PPG Debt service-to-exports ratio | 15 | 21.2 | 22 | 31.1 | 21.7 | 22.0 | 19.7 |
| PPG Debt service-to-revenue ratio | 18 | 14.8 | 16.6 | 24.9 | 18.2 | 19.2 | 17.6 |

***Source of data: The National Treasury***
**+projected**

The total debt service to ordinary revenue shows that 33.7 per cent of the ordinary revenue went into interest payments in the financial year 2022/23 (Figure 3.11). This is projected to rise to 34.1 per cent in the financial year 2024/25.

**Figure 3.11: Debt Service as Percentage of Ordinary Revenue, FYs 2013/14 to 2024/25**




***Source of data: The National Treasury***
***Projected**
****Targeted**

The continued increase in the stock of public debt and the cost of servicing arising from the tightened monetary policy and the depreciation of the Kenya Shilling against major currencies poses a significant effect on the quantum of revenues available for sharing between the national and county governments.

## 3.7 County Governments Fiscal Framework

### 3.7.1. County Revenues

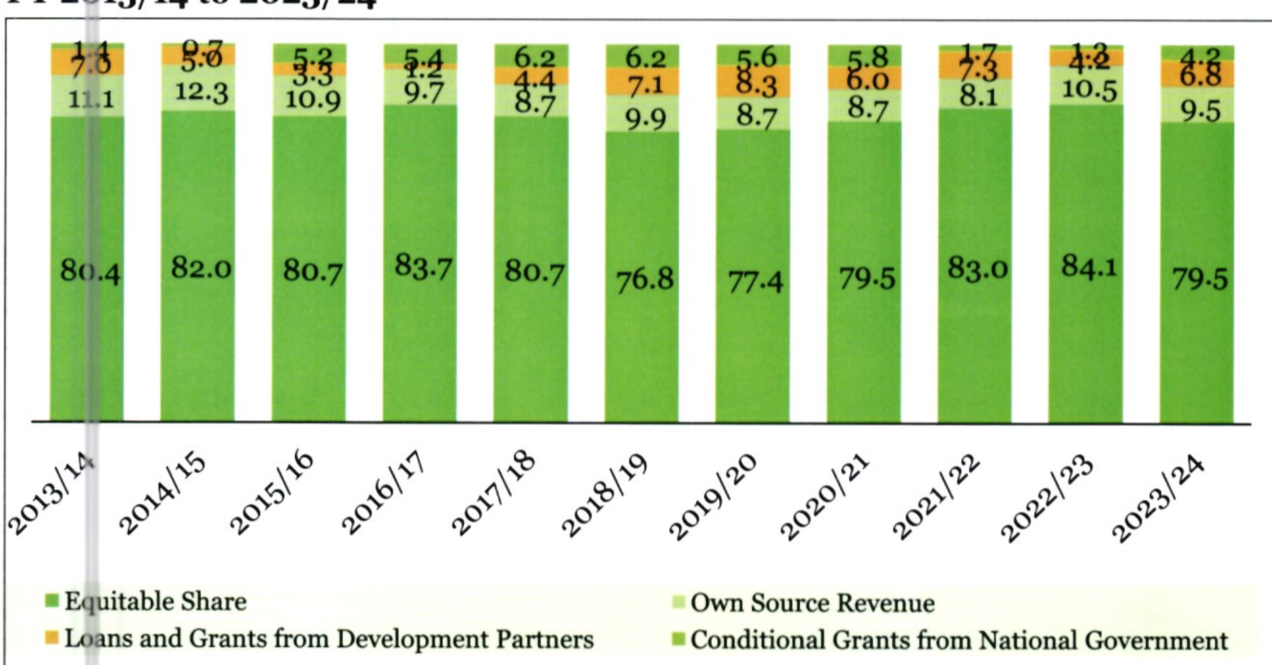
County revenues comprise of four main sources namely: equitable share transfers, grants, Own Source Revenue (OSR) and borrowing. From the financial years 2012/13 to 2023/24 the county governments have been allocated revenues amounting to Ksh. 4,123.1 billion of which; equitable share, Ksh. 3,726.4 billion; conditional grants from National Government, Ksh. 170.8 billion; and loans and grants from development partners, Ksh.225.9 billion. Figure 3.12 gives the breakdown of the total allocation per financial year.

**Figure 3.12: County Allocations for FYs 2012/13 to 2023/24 (Ksh. Billion)**


***Source of Data: Controller of Budget***

The equitable share allocation to the county governments from the financial year 2013/14 to 2023/24 contributes on average 80.7 per cent to total county revenue (Figure 3.13). The contribution of the conditional grants from National Government, and loans and grants from the development partners averaged 4 per cent and 5.5 per cent, respectively over the same period. The proportion of OSR to total county revenue averaged 9.8 per cent.

**Figure 3.13: Composition of County Governments' Revenues (%), FY 2013/14 to 2023/24**




***Source of Data: Controller of Budget***
****OSR for financial year 2023/24 is a projection***

From the financial year 2012/13 to 2023/24 counties have received conditional grants from the national government amounting to Ksh. 170.8 billion. This is inclusive of a grant of Ksh. 2.9 billion that counties received for renovation of county offices in the financial year 2012/13. The conditional grants supplement financing in health, roads and education sectors. However, in the financial year 2021/22, four conditional grants were converted into equitable share. These are: grants to level 5 hospitals, user fees foregone, Road Maintenance Levy Fund (RMLF) and grants for rehabilitation of village polytechnics (Table 3.8).

In the financial year 2023/24 counties have been provided with five new conditional allocations. These are conditional allocations for: the aggregated industrial parks programme (Ksh. 4.7 billion), provision of fertilizer subsidy programme (Ksh. 5 billion), livestock value chain support project (Ksh. 1.64 billion), de-risking, inclusion and value enhancement of pastoral economies in the Horn of Africa project (Ksh. 2.16 billion), and Kenya marine fisheries and socio-economic development (Ksh. 1.6 billion).

In the financial year 2023/24, the conditional grant for aggregated industrial parks has been allocated to all counties for the establishment of aggregation and industrial parks. Each county has been allocated an equal amount of Ksh. 100 million to establish one aggregation and industrial park in the county.

The fertilizer subsidy programme seeks to provide subsidised fertiliser to the farmers to increase productivity and enhance food security. The criteria for allocating the grants is the number of households undertaking crop production as per the 2019 population census. In the first phase, the Government targeted 2.15 million farmers in Narok, Bungoma, Uasin Gishu, Nakuru, Trans Nzoia, West Pokot, Migori, Kakamega, Bomet, Kericho, Elgeyo Marakwet and Nandi counties who had been registered by use of an e-voucher system.

The grant for the Livestock Value Chain Support Project is geared towards supply, installation and testing of various equipment (mainly bulk milk coolers with their accessories) for modernization of the dairy industry. The specific objectives of the project are to: improve dairy production and productivity; enhance dairy agribusiness, capacity development and technology dissemination; reduce milk post-harvest losses and enhance milk value addition.

The De-risking, Inclusion and Value Enhancement of pastoral economies in the Horn of Africa project is meant to cover Arid and Semi-Arid Lands counties where livelihoods are supported by pastoralism. The grant seeks to: support 125,000 pastoralist households with financial services for drought risk mitigation by 2027 in the 21 participating counties; cover 800,000 households and their dependents with financial services and capacity building; and support and connect 1,200 pastoralist groups to markets by 2027.

Kenya Marine Fisheries and Socio-economic Development project is to be implemented through the state Department for Blue Economy and covers the five coastal counties of Kwale, Mombasa, Kilifi, Tana River and Lamu. The first component of the project seeks to improve management of marine fisheries through building capacity in governance. The second component seeks to empower communities by increasing access to livelihood activities of poor households among coastal communities. It also seeks to facilitate complementary livelihoods that will safeguard coastal and marine fisheries resources.

**Table 3.8: Summary of National Government Conditional Grants, Ksh. Billion**

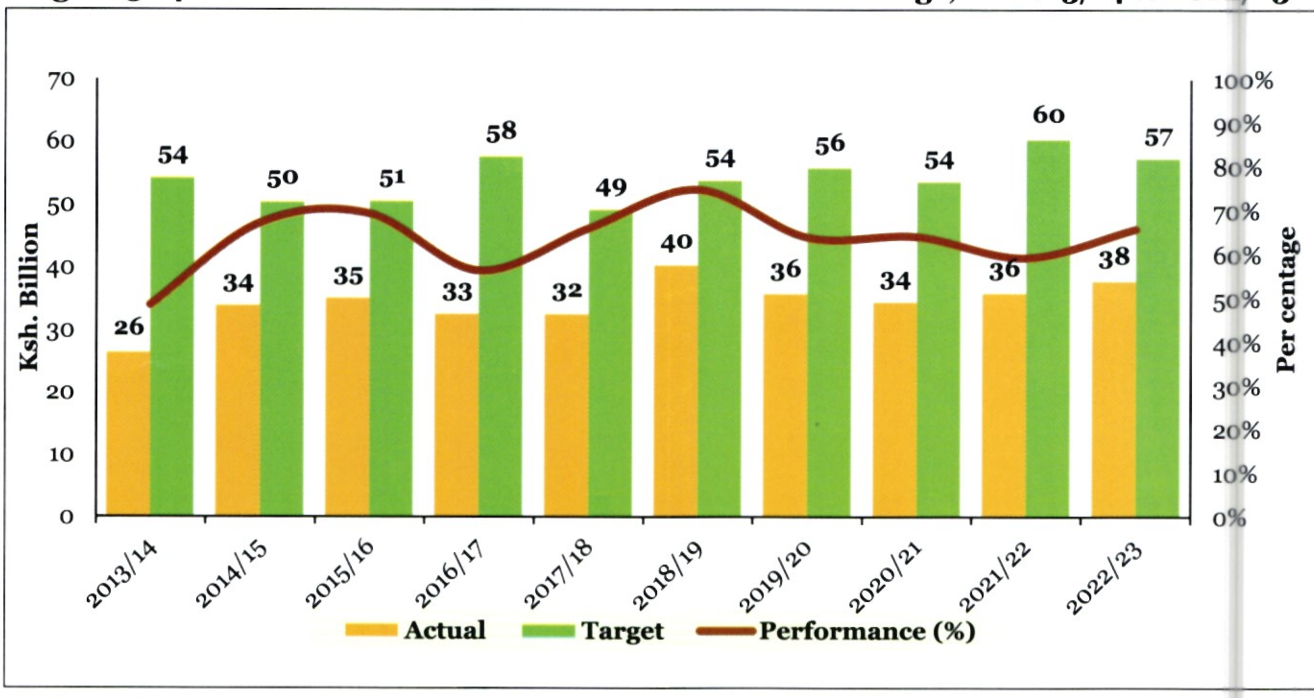
| Conditional Grant | 2013-16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 | 2021/22 | 2022/23 | 2023/24 | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| Level 5 Hospitals | 8.9 | 4 | 4.2 | 4.3 | 4.3 | 4.3 | | | | 30.0 |
| Compensation for User Fees Foregone | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | 0.9 | | | | 5.4 |
| Leasing of Medical Equipment | 4.5 | 4.5 | 4.5 | 9.4 | 6.2 | 6.2 | 7.2 | 5.2 | 5.9 | 53.6 |
| Road Maintenance Fuel Levy (RMLF) | 3.3 | 4.3 | 11.1 | 8.3 | 8.9 | 9.4 | | | | 45.3 |
| Construction of County Headquarters | | | 0.6 | 0.6 | 0.49 | 0.3 | 0.3 | 0.45 | 0.5 | 3.2 |
| Development of Youth Polytechnics | | | 2 | 2 | 2 | 2 | | | | 8.0 |
| Free Maternal Health Care | 4.3 | 4.1 | | | | | | | | 8.4 |
| Medical Grant | | 0.2 | | | | | | | | 0.2 |
| Aggregated Industrial Parks Programme | | | | | | | | | 4.7 | 4.7 |
| Provision of Fertilizer Subsidy Programme | | | | | | | | | 5 | 5.0 |
| De-risking and Value Enhancement (drive) | | | | | | | | | 2.2 | 2.2 |
| Kenya Marine Fisheries and Socio-Economic Development (KEMSFED) | | | | | | | | | 0.3 | 0.3 |
| Livestock Value Chain Support Project | | | | | | | | | 1.6 | 1.6 |
| Total Conditional Transfer | 31.9 | 18 | 23.3 | 25.5 | 22.8 | 23.1 | 7.5 | 5.65 | 20.2 | 167.9 |

***Source of data: CARA various issues, County Government Additional Allocation Bill 2023***

Conditional grants from development partners are earmarked for financing health, agriculture, urban development, water and sanitation, social protection and capacity building as summarised in Appendix 2. In financial year 2023/24, two new grants were introduced to finance locally led climate action programmes (FLLOCA). The two grants are: climate institutional support and climate resilience grants. Part of the grant will be used for mapping out Civil Society Organizations involved in climate change adaptation and mitigation activities at county and sub-county levels in all counties in Kenya. The objectives of the grant are to deliver locally-led climate resilience actions and strengthen county and national governments' capacity to manage climate risks. The program will focus on capitalizing the National and County Climate Change Funds; building county level capacity for planning, budgeting, reporting and implementation of local climate actions in partnership with communities; and strengthening of national level capacity for coordination, monitoring and reporting.

County governments raised a total of Ksh. 344.4 billion in own source revenue between financial years 2013/14 and 2022/23 as shown in Figure 3.14. In all financial years the revenue collection has remained below target. On average, counties realized 63.5 per cent of their target.

**Figure 3.14: Performance of OSR in Ksh. Billion and Percentage, FY 2013/14 to 2022/23**



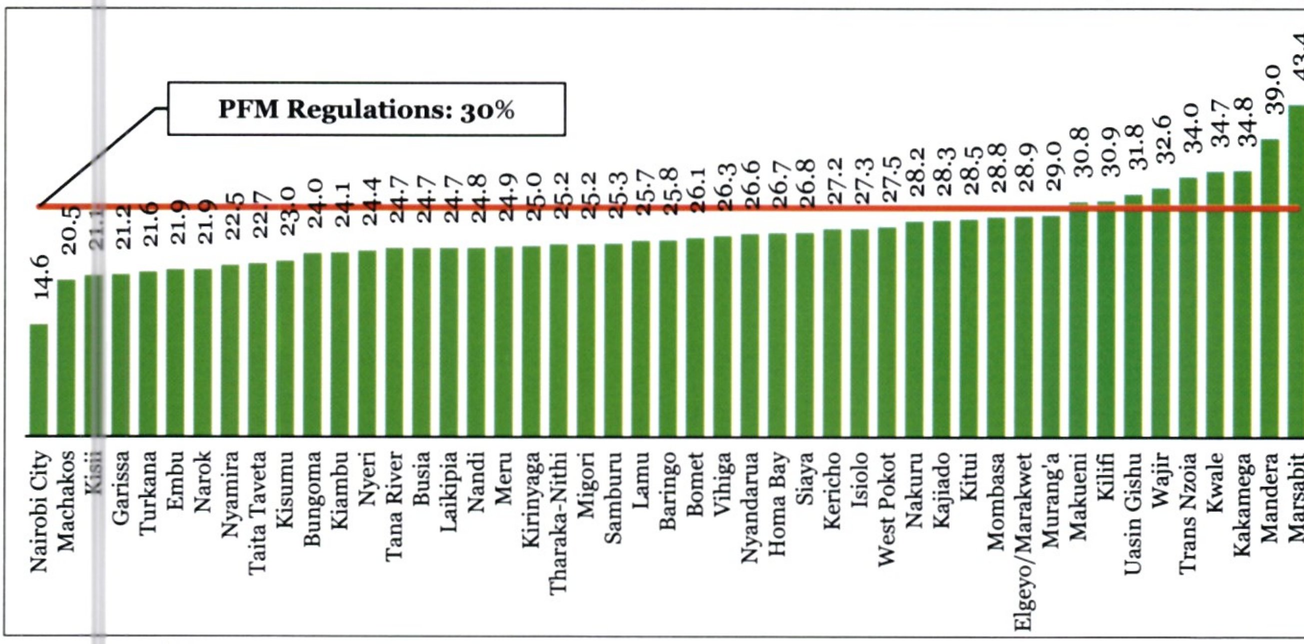

***Source of Data: Controller of Budget***

### 3.7.2 County Expenditure Performance

Over the last five financial years, county governments have spent an average of Ksh. 398 billion. Out of this average annual expenditure, Ksh. 293 billion (73.5 per cent) is recurrent expenditure while Ksh. 105 billion (26.5 per cent) is development expenditure. A breakdown of the recurrent expenditure shows that county governments have spent on average Ksh. 179 billion on personnel emoluments. The analysis of specific county expenditures on development and personnel emoluments, and adherence to the principles of public finance management is presented below.

In managing public finances, counties are required to adhere to the fiscal responsibility principles set out in Section 107 of the PFMA 2012. Over the medium term, counties should allocate a minimum of 30 per cent of their total budget to development expenditure. During budgeting counties actually allocate at least 30 per cent of their budgets to development. However, the actual counties' development expenditures over the five-year period from 2018/19 to 2022/23 fell below 30 per cent, averaging 26.8 per cent. There are only nine counties whose actual development expenditures were above 30 per cent as shown in Figure 3.15.

Figure 3.15: Average Development Expenditure (%) for FYs 2018/19 to 2022/23

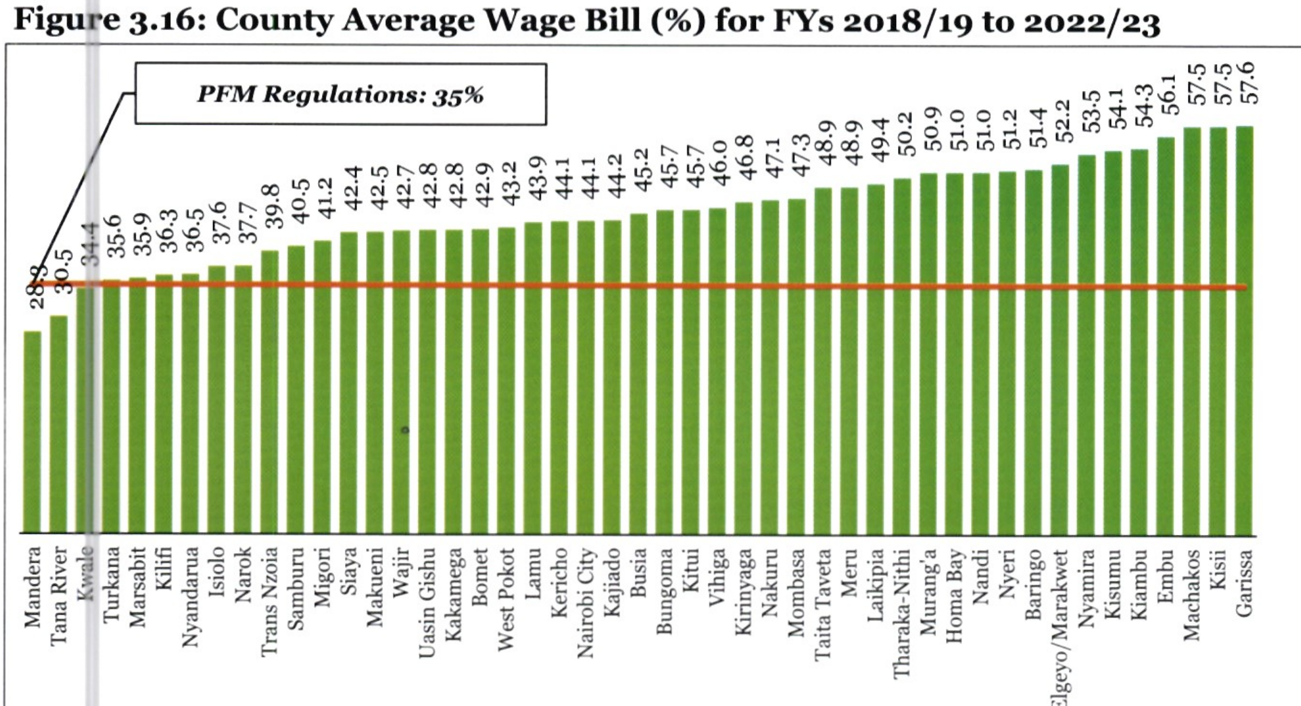



***Source of Data: Controller of Budget***

Nairobi City County had the lowest development expenditure of 14.6 per cent over the period, followed by Machakos and Kisii counties.

Section 107 of the PFMA and Section 25(1)(b) of the PFMA County Regulations requires that county governments' wage bill shall not exceed 35 per cent of their total revenue. However, further analysis of county expenditure for the financial years 2018/19 to 2022/23, reveals that most counties spent a significant proportion of their budget on wages and benefits for public officers during the period. Only three counties namely: Mandera, Tana River and Kwale had their personnel emoluments within the PFMA limit of 35 per cent as shown in Figure 3.16.

Figure 3.16: County Average Wage Bill (%) for FYs 2018/19 to 2022/23




***Source of Data: Controller of Budget***

Out of the 44 counties that exceeded the limit, Garissa had the highest expenditure on personnel emoluments at 57.6 per cent followed by Kisii and Machakos counties at 57.5 per cent each.

### 3.7.3 County Pending Bills

County governments prepare balanced budgets. However, over time, counties have accumulated pending bills mainly attributed to: delays in verification of pending bills; the underperformance of OSR and delays in disbursement of their equitable share. The cumulative pending bills for the counties as at June 30, 2023 amounted to Ksh. 164.8 billion as shown in Appendix 3.

A significant portion of these pending bills amounting to Ksh. 163.1 billion (99 per cent) is by the county executives while Ksh. 1.7 billion (one per cent) is by the county assemblies. Nairobi City County continues to account for the highest pending bill of Ksh. 107.3 billion. This is equivalent to 65 per cent of the stock of the pending bills. Other counties with high pending bills include Kiambu at Ksh. 5.9 billion and Mombasa at Ksh. 4.3 billion.

Analysis of pending bills as shown in Figure 3.17 reveals that the pending bills as a proportion of county total revenue is above 20 per cent for 13 counties. Nairobi City County has the highest proportion of 361 per cent followed by Wajir and Murang'a counties at 57.9 and 46.6 per cent, respectively. The pending bills for Nairobi City County are attributed to statutory creditors, legal creditors, bank loans and suppliers/contractors among others.

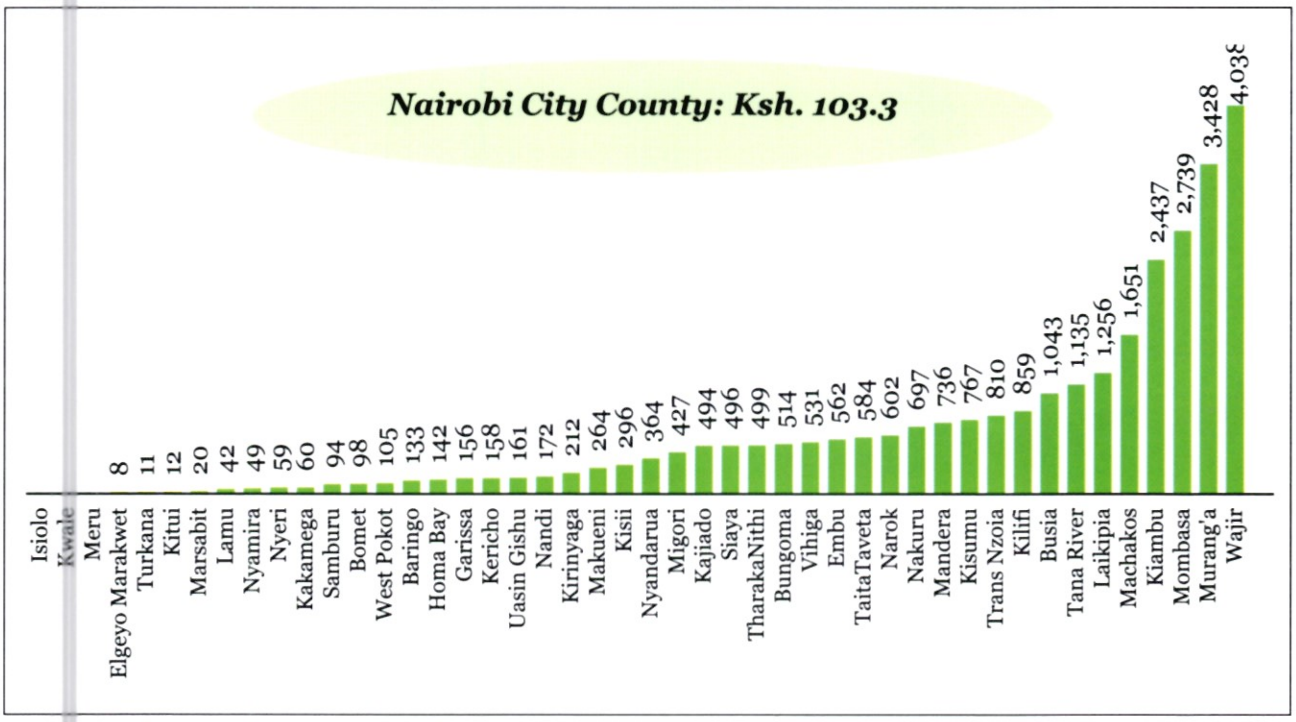
**Figure 3.17: Pending Bills as a Percentage of County Total Revenue**


***Source of Data: Controller of Budget***

The county with the lowest proportion of pending bills to total revenue is Elgeyo Marakwet at 0.4 per cent.

Further analysis reveals that 80.2 per cent (Ksh. 132.2 billion) of the pending bills are in recurrent expenditure while 19.8 per cent (Ksh. 32.5 billion) are in development expenditure. Figure 3.18 presents the recurrent expenditure pending bills by county. Nairobi City County had the highest recurrent pending bill at Ksh. 103.3 billion.

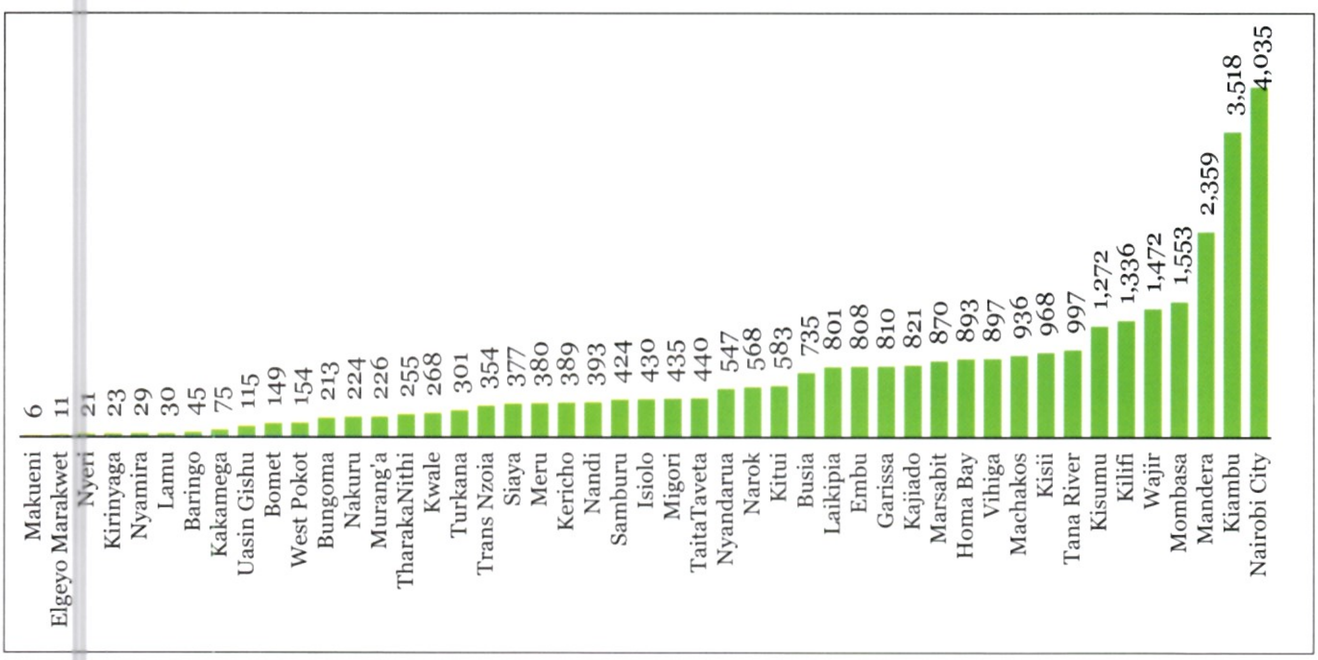
**Figure 3.18: Recurrent Expenditure Pending Bills (Ksh. Million)**




*Source of data: Controller of Budget*

Figure 3.19 presents the development expenditure pending bills by county. Nairobi City County had the highest development pending bill at Ksh. 4,035 million while Makueni had the lowest at Ksh. 5.6 million.

**Figure 3.19: Development Expenditure Pending Bills (Ksh. Million)**




*Source of data: Controller of Budget*

## 4. 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[7] referred to under Articles 206(1)(a)(b) and 209 (4) of the Constitution".*

The performance of ordinary revenue is summarised in Table 4.1.

**Table 4.1: Performance of Ordinary Revenue and Allocation for the FYs 2013/14 to 2024/25, Ksh. Billion**

| Year | Projected Ordinary Revenue | Actual Ordinary Revenue | Percentage increment | Revenue Shortfall | County Allocation | National Government Allocation |
|---|---|---|---|---|---|---|
| 2013/14 | 939.4 | 919.0 | | (20.4) | 190.0 | 746.4 |
| 2014/15 | 1,039.9 | 1,031.8 | 12.3 | (8.1) | 226.7 | 810.6 |
| 2015/16 | 1,256.3 | 1,152.5 | 11.7 | (103.8) | 259.8 | 992.6 |
| 2016/17 | 1,393.7 | 1,306.6 | 13.4 | (87.1) | 280.3 | 1,108.7 |
| 2017/18 | 1,561.2 | 1,365.1 | 4.5 | (196.1) | 302.0 | 1,254.5 |
| 2018/19 | 1,701.2 | 1,499.8 | 9.9 | (201.4) | 314.0 | 1,382.6 |
| 2019/20 | 1,871.4 | 1,573.4 | 4.9 | (298.0) | 316.5 | 1,549.7 |
| 2020/21 | 1,856.7 | 1,562.0 | -0.7 | (294.7) | 316.5 | 1,533.4 |
| 2021/22 | 1,775.6 | 1,917.9 | 22.8 | 142.3 | 370.0 | 1,398.8 |
| 2022/23 | 2,141.6 | 2,041.1 | 6.4 | (100.5) | 370.0 | 1,764.5 |
| 2023/24* | 2,571.2 | - | 26.0 | | 385.4 | 2,177.2 |
| 2024/25* | 2958.6 | - | 15.1 | - | | |

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

The ordinary revenues have persistently performed below target as shown in Table 4.1. Given that revenue sharing between the two levels of government is based on projected revenues, the National Government bears the burden whenever there are revenue shortfalls, since the equitable share allocation to the counties is cushioned from budget cuts in the Division of Revenue Act (DORA). Between July and November 2023 revenue performance has fallen be

low target by Ksh. 98.2 billion. While the projected economic growth shows an optimistic performance of above 5 per cent each, in 2023 and 2024, the continued underperformance of the manufacturing sector due to the high cost of doing business casts doubt on its ability to contribute substantially to revenue growth. Further, the continued depreciation of the Kenya Shilling against all major world currencies will lead to depressed demand especially for imported products thereby affecting the industry growth and revenue performance

[7]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.

negatively. The depreciation of the Kenya Shilling has also significantly contributed to the increase in cost of debt service, thereby affecting the quantum of revenues available for sharing since debt service is a first charge on revenues.

## 4.1. Recommendation on Shareable Revenue Allocation for Financial Year 2024/25

The shareable revenue is projected to increase from Ksh. 2,571.16 billion in the financial year 2023/24 to Ksh. 2,958.60 billion in financial year 2024/25. This translates to an absolute revenue increment of Ksh. 387.44 billion. The Commission recommends that the national government be allocated Ksh. 2,552.09 billion and county governments Ksh. 398.14 billion as equitable shares. In absolute amounts, the national government share will increase by Ksh. 374.72 billion and county governments by Ksh. 22.52 billion. The recommendations are summarised in Table 4.2.

**Table 4.2: Shareable Revenue and Equalisation Fund Allocation**

| | Revenues Shares for FY 2023/24 (Ksh. billion) | Adjustments | Revenues Shares for FY 2024/25 (Ksh. billion) |
|---|---|---|---|
| National Government | 2,177.37 | | 2,552.09 |
| Equalisation Fund | 8.37 | | 8.37 |
| County Government | 385.42 | | |
| Of Which | | | |
| Equitable Share | | 375.62 | 398.14 |
| County Roads (RMLF) | | 9.80 | |
| Total Shareable Revenue | 2571.16 | | 2958.6 |

***Source of data: DORA 2023, National Treasury***

Article 203(2) provides that for every financial year, the equitable share of revenue raised nationally that is allocated to county governments shall be not less than fifteen per cent of all revenue collected by the national government based on the most recent audited accounts of revenue received, as approved by the National Assembly. The allocation of Ksh. 398.14 billion to county government for financial year 2024/25 is equivalent to 23.8 per cent of the most recent audited and approved accounts for the financial year 2019/20, amounting to Ksh. 1,673.7 billion.

## 4.2 Other Recommendations

### 4.2.1. Allocations to the Equalisation Fund

Article 204 provides for an allocation of 0.5 per cent of the most recent audited and approved accounts to the Equalisation Fund. As shown in Table 4.3, the approved accounts are for financial year 2019/20, amounting to 1,673.72 billion. The Commission therefore recommends an allocation of Ksh. 8.37 billion to Equalisation Fund for financial year

2024/25. In addition, the Commission recommends that the National Treasury provides for the accumulated arrears as per the commitment made by the National Treasury to the Senate as presented in Appendix 4.

**Table 4.3: Equalisation Fund Allocation for the FYs 2013/14 to 2024/25-Ksh. Billion**

| Year | Audited Accounts | FY of Audited Accounts | Equalization Fund (0.5%) |
|---|---|---|---|
| 2013/14 | 608.1 | 2010/11 | 3.04 |
| 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 |

***Source of Data: National Assembly PAC Reports***

### 4.2.2 Transfer of Personnel Emolument Costs for County Libraries

Library services are devolved under the Fourth Schedule of the Constitution. There are 62 libraries in Kenya spread across 33 counties. Out of the 62 libraries, three namely: Buru Buru, Milimani and Nakuru have been retained by the National Government for strategic importance. Though the Libraries were transferred vide Legal Notice No.142 of 2019, the payment of salaries of the transferred library staff was centrally administered by the Kenya National Library Services until the financial year 2022/23. The salary for financial year 2023/24 amounting to Ksh. 424,700,970 though meant to be shared among 33 counties, was allocated through the DORA 2023 as equitable share to all the counties. This resulted in the following:

i. Transfer of Ksh. 107 million to 14 counties that did not have libraries. The allocations to each of these counties is provided in Table 4.4.

**Table 4.4: Allocation to Counties without Libraries**

| No | County | Equitable Share Allocation based on Ksh. 385,000, Ksh. Million | Equitable Share Allocation based on Ksh. 385,425, Ksh. Million | Difference in allocation between Ksh. 385,000 & 385,425 (B-A), Ksh. Million |
|---|---|---|---|---|
| | | A | B | C |
| 1 | Turkana | 13,129 | 13,144 | 15 |
| 2 | Machakos | 9,537 | 9,547 | 11 |
| 3 | Kajiado | 8,291 | 8,300 | 10 |
| 4 | Homa-Bay | 8,119 | 8,128 | 9 |
| 5 | Trans Nzoia | 7,491 | 7,500 | 9 |
| 6 | Busia | 7,467 | 7,476 | 8 |
| 7 | West Pokot | 6,566 | 6,574 | 8 |
| 8 | Tana-River | 6,783 | 6,791 | 7 |
| 9 | Kirinyaga | 5,414 | 5,420 | 6 |
| 10 | Samburu | 5,588 | 5,594 | 6 |
| 11 | Vihiga | 5,262 | 5,267 | 6 |
| 12 | Nyamira | 5,329 | 5,334 | 5 |
| 13 | Tharaka-Nithi | 4,374 | 4,378 | 5 |
| 14 | Lamu | 3,234 | 3,237 | 4 |
| | **Total** | | | **107** |

***Source of Data: CRA***

The Commission recommended that the 14 counties use the received amounts to establish library services in their respective counties.

ii. Overcompensation to 11 counties with existing libraries by an additional Ksh. 47.7 million as shown in Table 4.5. The 11 counties were advised to use the allocation to equip the existing libraries.

**Table 4.5: Overcompensation to 11 Counties with Libraries**

| No | County | Total Allocation based on Ksh. 385,000 Million (A+B) | Total Allocation based on Ksh. 385,425 Million (A+D) | Difference in allocation, Ksh. Million (B-A) | Library PE requirements, Ksh Million | Difference in resource requirement, Ksh Million (C-D) |
|---|---|---|---|---|---|---|
| | | A | B | C | D | E |
| 1 | Nairobi City | 20,049 | 20,072 | 23 | 11.7 | 11.3 |
| 2 | Kitui | 10,817 | 10,829 | 12 | 4.6 | 7.4 |
| 3 | Mandera | 11,621 | 11,633 | 12 | 5.1 | 6.9 |
| 4 | Kwale | 8,575 | 8,584 | 9 | 3.2 | 5.8 |
| 5 | Bungoma | 11,100 | 11,112 | 12 | 8.1 | 3.9 |
| 6 | Nyandarua | 5,899 | 5,906 | 7 | 2.9 | 4.1 |
| 7 | Marsabit | 7,553 | 7,560 | 7 | 4.3 | 2.7 |
| 8 | Migori | 8,332 | 8,341 | 9 | 6.3 | 2.7 |
| 9 | Nakuru | 13,578 | 13,593 | 15 | 13.3 | 1.7 |
| 10 | Nandi | 7,297 | 7,305 | 8 | 7.4 | 0.6 |
| 11 | Elgeyo/ Marakwet | 4,796 | 4,801 | 5 | 4.4 | 0.6 |
| | | **Total** | | **119** | **71.3** | **47.7** |

***Source of Data: CRA, IGRTC***

iii. A total of 22 counties with libraries were under-compensated. Though the counties required a total of Ksh. 351.4 million, they were allocated Ksh. 197 million, occasioning a deficit of Ksh. 155.4 million as shown in Table 4.6. The 22 counties were advised to cater for the salaries of the transferred library staff from within their equitable share allocation for financial year 2023/24 until Parliament makes a correction through the County Governments Additional Allocations Act 2023.

**Table 4.6: Under-compensation to 22 Counties with Libraries**

| No | County | Total Allocation based on Ksh. 385,000 | Total Allocation based on Ksh. 385,425 Million | Difference in allocation Ksh. Million | Library PE requirements, Ksh Million | Difference in resource requirement, Ksh Million (C-D), |
|---|---|---|---|---|---|---|
| | | A | B | C | D | E |
| 1 | Baringo | 6,640 | 6,648 | 8 | 26.1 | (18.1) |
| 2 | Nyeri | 6,478 | 6,485 | 7 | 23.7 | (16.7) |
| 3 | Wajir | 9,843 | 9,854 | 11 | 25.8 | (14.8) |
| 4 | Makueni | 8,447 | 8,455 | 8 | 22.6 | (14.6) |
| 5 | Kisumu | 8,353 | 8,362 | 9 | 20.1 | (11.1) |
| 6 | Garissa | 8,240 | 8,249 | 9 | 18.9 | (9.9) |
| 7 | Laikipia | 5,352 | 5,358 | 6 | 14.5 | (8.5) |
| 8 | Kericho | 6,696 | 6,703 | 7 | 15.4 | (8.4) |
| 9 | Meru | 9,882 | 9,893 | 11 | 17.9 | (6.9) |
| 10 | Taita-Taveta | 5,035 | 5,040 | 5 | 11.6 | (6.6) |
| 11 | Siaya | 7,255 | 7,263 | 8 | 14.2 | (6.2) |
| 12 | Uasin-Gishu | 8,416 | 8,426 | 10 | 15.7 | (5.7) |
| 13 | Mombasa | 7,853 | 7,862 | 9 | 13 | (4.0) |
| 14 | Embu | 5,336 | 5,342 | 6 | 10.1 | (4.1) |
| 15 | Murang'a | 7,466 | 7,474 | 8 | 11.8 | (3.8) |
| 16 | Kakamega | 12,898 | 12,913 | 15 | 18 | (3.0) |
| 17 | Isiolo | 4,894 | 4,899 | 5 | 8.5 | (3.5) |
| 18 | Kilifi | 12,096 | 12,109 | 13 | 15.5 | (2.5) |
| 19 | Narok | 9,187 | 9,196 | 9 | 12.3 | (3.3) |
| 20 | Bomet | 6,970 | 6,978 | 8 | 9.3 | (1.3) |
| 21 | Kisii | 9,249 | 9,259 | 10 | 11.2 | (1.2) |
| 22 | Kiambu | 12,214 | 12,228 | 14 | 15.2 | (1.2) |
| | Total | | | 196 | 351.4 | (155.4) |

***Source of Data: CRA, IGRTC***

### Recommendations on County Libraries

The Commission recommends that for the 22 counties with libraries that were not fully compensated for the personnel costs, the national government from its equitable share for financial year 2024/25 provides a final allocation to the counties of Ksh. 155.4 million through the County Government Additional Allocation Act. Going forward, the county governments will provide for the staff personal emoluments from their revenues from financial year 2025/26.

### 4.2.3 Maintenance of County Roads

Construction of roads is a concurrent function, whose maintenance is financed through ordinary revenues and the Road Maintenance Levy Fund (RMLF). The RMLF Act of 1993 specifies that the Fund is to be used for the maintenance of the existing road network in the country. Disbursement of the RMLF was based on the Kenya Roads Act 2007 as shown in Table 4.7.

**Table 4.7: Allocation of the RMLF among various Agencies**

| No. | Institution | Percentage Share |
|---|---|---|
| 1. | Kenya National Highways Authority (KeNHA) | 40 |
| 2. | Kenya Rural Roads Authority (KeRRA) | 32 |
| 3. | Kenya Urban Roads Authority (KURA) | 15 |
| 4. | Kenya Roads Board (KRB)[8] | 12 |
| 5. | Kenya Wildlife Services (KWS) | 1 |
| | **Total** | **100** |

***Source of data: Kenya Roads Act, 2007***

The Kenya Roads Act 2007 assigned roads to the various agencies as follows: KeNHA (national roads-Classes A, B &C), KeRRA (rural roads-Classes E&D), KURA (all public roads in the cities and municipalities except where those roads are national roads Classes UA, UC &UL) and KWS, all roads within the parks.

The Constitution in 2010 assigned county roads to the county governments. Kenya Gazette Supplement No. 4 of January 2016 transferred county roads (Class D and below) to county governments. Article 187(2)(a) provides that if a function or power is transferred from a government at one level to a government at the other level, arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred.

Given that the Class D roads were previously constructed by KeRRA and KURA, the per centage of RMLF allocation to these Agencies was adjusted downwards to provide for a 15 per cent allocation to county governments. The 15 per cent was based on the provisions of Article 203(2) that requires a minimum allocation of 15 per cent of all revenue collected by the national government to the counties. The DORA 2015 allocated 15 per cent of the RMLF to county governments as a conditional grant. The 15 per cent RMLF share to county governments was allocated as a conditional grant for six years (FYs 2015/16 to 2020/21) as shown in Table 4.8. The allocations were based on the revenue projections of the RMLF by the Kenya Roads Board for the respective years.

[8]Comprised of 10 per cent for the Road Sector Investment Programme and 2 per cent for the KRB operations.

**Table 4.8: RMLF Allocation to Counties (Ksh. Billion)**

| Year | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2019/20 | 2020/21 |
|---|---|---|---|---|---|---|
| RMLF Allocation | 3.3 | 4.3 | 11.1 | 8.3 | 8.9 | 9.4 |

***Source of Data: /KRB/DORA/CARA, Various Issues***

There have been efforts to amend the classification of roads and allocation of the RMLF among the road agencies. The Kenya Roads Bill 2017, which lapsed, contained proposals for reclassification of roads, establishment of new road agencies and amendments in the sharing of the RMLF. The Bill had proposed the dissolution of KeRRA and KURA and the establishment of two new road agencies in their place namely: The Kenya National Secondary Roads Authority and the National Urban Roads Authority. The Kenya National Secondary Roads Authority would be in charge of Classes C and D roads, while the National Urban Roads Authority would be in charge of Classes H and J. County governments were to be assigned Class E, F, G, K, L, M, N and P roads. The Bill proposed the sharing of the RMLF as shown in Table 4.9.

**Table 4.9: Roads Bill 2017 Proposal on Sharing of the RMLF**

| No. | Institution | Per centage Share |
|---|---|---|
| 1. | Kenya National Highways Authority (KeNHA) | 35 |
| 2. | Kenya National Secondary Roads Authority | 30 |
| 3. | County Governments | 15 |
| 4. | National Urban Roads Authority | 10 |
| 5. | Roads Investment Programme (RIP) | 6 |
| 6. | Kenya Roads Board (KRB) | 2 |
| 7. | Kenya Wildlife Services (KWS) | 1 |
| 8. | National Transport and Safety Authority (NTSA) | 1 |
| | **Total** | **100** |

***Source of data: Kenya Roads Bill, 2017***

Article 190 (1) provides that Parliament shall by legislation, ensure that county governments have adequate support to enable them to perform their functions. In this regard, the Commission recommends that Parliament review legislation passed before 2010 to align them to the devolved system of governance. Key among these legislations include: Road Maintenance Levy Fund Act, 1993; Kenya Roads Board Act, 1999 and Kenya Roads Act of 2007.

### i. Conversion of the RMLF from Conditional Allocation to Equitable Share

The Commission, National Treasury and Kenya Roads Board recommended that the RMLF be allocated to county governments' unconditionally as part of the county governments equitable share beginning the financial year 2021/22. This was informed by the fact that the allocation of the RMLF to counties was based on the equitable revenue sharing criteria. The transfers to the county governments was subsequently approved by Parliament through the DORAs and County Allocation of Revenue Acts (CARA) of: 2021, 2022 and 2023. The RMLF was allocated to county governments unconditionally as part of the county governments equitable share in the financial years 2021/22, 2022/23 and 2023/24.

### ii. Recommendation to Convert the RMLF to Additional Conditional Allocation to County Governments for financial year 2024/25

The RMLF is a Fund established in line with the provisions of Article 206[9] and therefore is not part of revenue raised by the national governments that is defined as shareable revenue[10]. The 15 per cent of RMLF estimated at Ksh. 10.52 billion for the financial year 2024/25 should therefore be allocated to county governments through the County Government Additional Allocations Act for maintenance of county roads based on the criteria summarised in Table 4.10. The Allocations to each county are presented in Appendix 5.

**Table 4.10: Criteria for Sharing RMLF among County Governments**

| No | Main Criteria | Weight of Main Criteria % | Sub-Criteria. | Weight of Sub-Criteria % |
|---|---|---|---|---|
| 1 | Length of Road | 60.0 | Paved | 10.0 |
| | | | Unpaved | 50.0 |
| 2 | Climate/Rainfall | 5.0 | N/A | 5.0 |
| 3 | RAI (Rural Access Index) | 10.0 | N/A | 10.0 |
| 4 | Soils Type Distribution | 5.0 | Very Clayey | 1.75 |
| | | | Clayey | 1.25 |
| | | | Sandy | 1.25 |
| | | | Loamy | 0.75 |
| 5 | Equal Share | 20.0 | N/A | 20.0 |
| | **TOTAL** | **100.0** | | **100.0** |

***Source of data: Kenya Roads Board***

### 4.2.4 Transfer of The Museums Function and the Attendant Personnel Costs to the County Governments

Gazette Notice No. 13982 dated 11th November 2022 delineated and transferred the museum function to the county governments. The following eight museums were identified and transferred to the county governments: Meru Njuri Ncheke Museums; Narok Museum; Garissa Museum; Wajir Museum; Loiyangalani Desert Museum in Marsabit; Kisumu Museum; Kitale Museum; and Isiolo Museum.

As a constitutional requirement that resources follow functions, the attendant financial resources related to personnel emoluments earmarked for the eight museums need to be transferred to the county governments in the financial year 2024/25. The costs related to operations and maintenance for each of the eight museums are financed from internally generated revenues. The personnel costs to the eight counties are summarised in Table 4.11 and should be transferred to the respective counties through the County Government

[9]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.

[10]Shareable revenue is defined 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 referred to under Articles 206(1)(a)(b) and 209 (4) of the Constitution".

Additional Allocations Act. Going forward, the respective county governments will provide for the staff personal emoluments from their revenues from financial year 2025/26.

**Table 4.11: Personnel Emoluments**

| County | Museum | No. of Staff | Personnel Emoluments (Ksh.) |
|---|---|---|---|
| **Meru** | Meru Njuri Ncheke | 7 | 3,648,012.00 |
| **Narok** | Narok | 9 | 4,048,320.00 |
| **Garissa** | Garissa | 9 | 4,866,132.00 |
| **Wajir** | Wajir | 5 | 2,796,840.00 |
| **Marsabit** | Loiyangalani Desert | 4 | 2,484948.00 |
| **Kisumu** | Kisumu | 36 | 12,638,424.00 |
| **Trans Nzoia** | Kitale | 38 | 15,112,644.00 |
| **Isiolo** | Isiolo | 2 | 934,152.00 |
| | **TOTAL** | | **46,529,472.00** |

***Source of Data: National Museums of Kenya***

## 5. SHARING OF REVENUE AMONG COUNTY GOVERNMENTS FOR FINANCIAL YEAR 2024/2025

Section 190 (1)(b) of the PFMA, 2012 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 determination of each county's equitable share is based on the Third Basis for revenue sharing for financial year 2020/21 to 2024/25 as summarised in Table 5.1.

**Table 5.1: Third Basis for Revenue Sharing**

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

***Source of data: CRA***

The Third Basis for revenue sharing has a baseline allocation to each county equivalent to 50 per cent of a county's actual allocation for financial year 2019/20 of Ksh. 316.5 billion. The remaining amount from the recommendation is shared based on the Third Basis. Based on this criterion, Ksh. 158.25 billion is shared using the 2019/20 county allocation index and the balance of Ksh. 239.89 billion is shared using the approved Third Basis for revenue sharing summarised in Table 5.1. The allocations to each county for financial year 2024/25 are shown in Table 5.2.

**Table 5.2: Allocation to County Governments for FY 2024/25**

| No | County | 2019/20 Allocation Index | Allocation Index: 3rd Basis | Baseline Allocation: Ksh. 158,250 million | 3rd Basis Allocation: Ksh. 239,890 million | Total Allocation 2024/25: Ksh. million |
|---|---|---|---|---|---|---|
| | | | | A | B | D=A+B |
| 1 | Baringo | 0.0161 | 0.018048 | 2,548 | 4,329 | 6,877 |
| 2 | Bomet | 0.0174 | 0.018595 | 2754 | 4,461 | 7,215 |
| 3 | Bungoma | 0.0281 | 0.029339 | 4,447 | 7,038 | 11,485 |
| 4 | Busia | 0.019 | 0.019671 | 3,007 | 4,719 | 7,726 |
| 5 | Elgeyo-Marakwet | 0.0122 | 0.012637 | 1,931 | 3,031 | 4,962 |
| 6 | Embu | 0.0136 | 0.01404 | 2,152 | 3,368 | 5,520 |
| 7 | Garissa | 0.0222 | 0.020846 | 3,513 | 5,001 | 8,514 |
| 8 | Homa-Bay | 0.0213 | 0.020943 | 3,371 | 5,024 | 8,395 |
| 9 | Isiolo | 0.0134 | 0.012231 | 2,121 | 2,934 | 5,055 |
| 10 | Kajiado | 0.0203 | 0.022396 | 3,212 | 5,373 | 8,585 |

| No | County | 2019/20 Allocation Index | Allocation Index: 3rd Basis | Baseline Allocation: Ksh. 158,250 million | 3rd Basis Allocation: Ksh. 239,890 million | Total Allocation 2024/25: Ksh. million |
|---|---|---|---|---|---|---|
| 11 | Kakamega | 0.0329 | 0.033922 | 5,206 | 8,138 | 13,344 |
| 12 | Kericho | 0.017 | 0.017664 | 2,690 | 4,237 | 6,927 |
| 13 | Kiambu | 0.0298 | 0.033066 | 4,716 | 7,932 | 12,648 |
| 14 | Kilifi | 0.033 | 0.030316 | 5,222 | 7,272 | 12,494 |
| 15 | Kirinyaga | 0.0134 | 0.014525 | 2,121 | 3,484 | 5,605 |
| 16 | Kisii | 0.0246 | 0.023619 | 3,893 | 5,666 | 9,559 |
| 17 | Kisumu | 0.0216 | 0.021761 | 3,418 | 5,220 | 8,638 |
| 18 | Kitui | 0.0279 | 0.028235 | 4,415 | 6,773 | 11,188 |
| 19 | Kwale | 0.0246 | 0.02065 | 3,893 | 4,954 | 8,847 |
| 20 | Laikipia | 0.0132 | 0.014391 | 2,089 | 3,452 | 5,541 |
| 21 | Lamu | 0.0082 | 0.008538 | 1,298 | 2,048 | 3,346 |
| 22 | Machakos | 0.0245 | 0.02496 | 3,877 | 5,988 | 9,865 |
| 23 | Makueni | 0.0234 | 0.02092 | 3,703 | 5,018 | 8,721 |
| 24 | Mandera | 0.0323 | 0.028708 | 5,111 | 6,887 | 11,998 |
| 25 | Marsabit | 0.0214 | 0.018373 | 3,387 | 4,407 | 7,794 |
| 26 | Meru | 0.0254 | 0.025853 | 4,020 | 6,202 | 10,222 |
| 27 | Migori | 0.0214 | 0.021811 | 3,387 | 5,232 | 8,619 |
| 28 | Mombasa | 0.0223 | 0.019072 | 3,529 | 4,575 | 8,104 |
| 29 | Murang'a | 0.0199 | 0.019037 | 3,149 | 4,567 | 7,716 |
| 30 | Nairobi City | 0.0503 | 0.053316 | 7,960 | 12,790 | 20,750 |
| 31 | Nakuru | 0.0331 | 0.036779 | 5,238 | 8,823 | 14,061 |
| 32 | Nandi | 0.0169 | 0.020385 | 2,674 | 4,890 | 7,564 |
| 33 | Narok | 0.0254 | 0.022787 | 4,020 | 5,466 | 9,486 |
| 34 | Nyamira | 0.0152 | 0.012892 | 2,405 | 3,093 | 5,498 |
| 35 | Nyandarua | 0.0154 | 0.01527 | 2,437 | 3,663 | 6,100 |
| 36 | Nyeri | 0.0171 | 0.016636 | 2,706 | 3,991 | 6,697 |
| 37 | Samburu | 0.0146 | 0.014455 | 2,310 | 3,468 | 5,778 |
| 38 | Siaya | 0.0183 | 0.019223 | 2,896 | 4,611 | 7,507 |
| 39 | Taita-Taveta | 0.0134 | 0.012853 | 2,121 | 3,083 | 5,204 |
| 40 | Tana-River | 0.0185 | 0.017005 | 2,928 | 4,079 | 7,007 |
| 41 | Tharaka-Nithi | 0.0124 | 0.010635 | 1,962 | 2,551 | 4,513 |
| 42 | Trans-Nzoia | 0.0182 | 0.020335 | 2,880 | 4,878 | 7,758 |
| 43 | Turkana | 0.0333 | 0.034662 | 5,270 | 8,315 | 13,585 |
| 44 | Uasin-Gishu | 0.02 | 0.023159 | 3,165 | 5,556 | 8,721 |
| 45 | Vihiga | 0.0147 | 0.012945 | 2,326 | 3,105 | 5,431 |
| 46 | Wajir | 0.027 | 0.024567 | 4,273 | 5,893 | 10,166 |
| 47 | West Pokot | 0.0158 | 0.017931 | 2,500 | 4,302 | 6,802 |
| | **Totals** | **1.00000** | **1.00000** | **158,250** | **239,890** | **398,141** |

***Source of data: CRA***

## Appendix 1: Revenue Enhancement Measures

### 1. Amendments to the Finance Act 2023

The Finance Act 2023 was signed into law on 26th June 2023. The Act introduced several tax changes, a majority of which took effect from 1st July 2023. Some of the significant changes include:

**i. Income tax:**

Introduction of a fourth and fifth PAYE tax bands as follows: A fourth band that will be applicable to employees earning incomes between Ksh 500,000 and Ksh 800,000 per month at the rate of 32.5 per cent and a fifth band that will be applicable to employees earning incomes above Ksh 800,000 per month at the rate of 35 per cent. However, the two new tax bands only affect 26,676 employees who constitute 0.8 per cent of total employed workers and therefore the increase in revenue may be negligible.

**ii. VAT**

Increase in VAT on petroleum products (excluding LPG gas) from 8 per cent to 16 per cent.

**iii Excise Duty**

Increase in excise duty from 25 per cent to 35 per cent on imported glass bottles; increase in betting, gaming, prize competition and lottery duty from 7.5 per cent to 12.5 per cent; increase in duty on fees for money transfer by cellular phone service providers and payment service providers from 12 per cent to 15 per cent; introduction of a 15 per cent excise duty on advertisement on television, print media, billboards and radio stations on alcoholic beverages, betting, gaming, lotteries and prize competitions among others.

### 2. Tax policy reforms and administrative measures

Tax policy: The Government will implement the National Tax Policy and finalize the Medium-Term Revenue Strategy (MTRS) for the financial years 2023/24 - 2026/27. The National Tax Policy, will enhance administrative efficiency of the tax system, provide consistency and certainty in tax legislations and management of tax expenditure. The Medium-Term Revenue Strategy comprises legal, administrative and policy measures to reform the tax system which is expected to boost tax revenues over the medium term.

Tax administration: The Kenya Revenue Authority is implementing reforms to move towards seamless taxation by ensuring that its systems, taxpayers and businesses are integrated to allow for the automatic movement of data through machine to-machine based processes, and where appropriate shift to real-time processing. This will enable Kenya Revenue Authority to monitor business transactions in real-time therefore sealing revenue leakages through tax avoidance and evasion.

Specific reforms on tax administration include amendment to the Tax Procedures Act regarding: requirement to all trustees administering trusts in Kenya to maintain and avail records required by the Authority; requirement to taxpayers to issue electronically generated tax invoices which can be tracked and traced through an Electronic Tax Invoice Management System (eTIMS); removal of powers to abandon tax as well as waivers on penalties and interest that currently exist in the Act ; introduction of a one year tax amnesty on penalties and interest on the accrued tax debts up to 31st December 2022; among others.

## Appendix 2: Summary of Conditional Grants and Loans from Development Partners (Ksh. Million), FYs 2013/14 to 2023/24

| Source/Purpose | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Aquaculture Business Development Project (ABDP)** | | | | | | | | | | | 246 | 246 |
| **DANIDA Grant for Universal Healthcare in Devolved System Programme** | | | | | 763 | 1,013 | 987 | 900 | | | | 3,662 |
| **DANIDA Grant to Supplement Financing of County Health Facilities** | | | 845 | 422 | | | | | | | | 1,267 |
| **DANIDA Grant-Primary Health Care In Devolved Context** | | | | | | | | | 701 | 667 | 578 | 1,946 |
| **Donor Projects** | 16,581 | 13,889 | | | | | | | | | | 30,470 |
| **EU Grant (Instruments for Devolution Advice and Support IDEAS)** | | | | | 986 | 1,040 | 493 | 216 | 231 | 120 | | 3,085 |
| **EU- Water Tower Protection and Climate Change Mitigation and Adaptation Programme (WaTER)** | | | | | | | 495 | 528 | | | | 1,023 |
| **German Development Bank (KfW)- Drought Resilience Programme in Northern Kenya (DRPNK)** | | | | | | | 350 | 300 | 370 | 825 | 765 | 2,610 |
| **IDA (World Bank) - Kenya Climate Smart Agriculture Project (KCSAP)** | | | | | | 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** | | | | | | | | | | | 517 | 517 |
| **IDA (World Bank) Credit (Financing Locally-Led Climate Action (FLLoCA) Program, County Climate Resilience Grant (CCRG)** | | | | | | | | | | | 6,188 | 6,188 |
| **IDA (World Bank) Credit (Financing Locally-Led Climate Action Program FLLoCA)** | | | | | | | | | | | | |
| **IDA (World Bank) Credit (National Agricultural and Rural Inclusive Growth Project (NARIGP)** | | | | | 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)** | | | | | | | | | | | 8,250 | 8,250 |
| **IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) " Level 1 Grant"** | | | | | 2,148 | 2,300 | 1,410 | 2,115 | | | | 7,973 |
| **IDA (World Bank) Credit: Kenya Devolution Support Project (KDSP) " Level 2 Grant"** | | | | | | | | | 4,600 | | | 4,600 |

| Source/Purpose | 2013/2014 | 2014/2015 | 2015/2016 | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 | Grand Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **IDA (World Bank) Credit: Kenya Urban Support Project (KUSP)- Urban Institutional Grants (UIG)** | | | | | | | 396 | | | | | 396 |
| **IDA (World Bank) Credit: Kenya Urban Support Project(KUSP)** | | | | | | 11,465 | | | | | | 11,465 |
| **IDA (World Bank) Credit: Kenya Urban Support Project(KUSP) - Urban Development Grant (UDG)** | | | | | | | 11,465 | | | | | 11,465 |
| **IDA (World Bank) Credit: Water & Sanitation Development Project (WSDP)** | | | | | | 3,800 | 3,500 | 3,400 | 5,000 | 5,900 | 5,350 | 26,950 |
| **IDA(World Bank) Credit (Financing Locally-Led Climate Action (FLLoCA) Program, Couny Climate Institutional Support (CCIS) Grant (Level 1)** | | | | | | | | | | 517 | | 517 |
| **IDA(World Bank) Transforming Health Systems For Universal Care Project** | | | | | 2,750 | 3,637 | 2,994 | 4,345 | 2,235 | | | 15,961 |
| **Kenya Livestock Commercialization Project (KELCLOP)** | | | | | | | | | | | 344 | 344 |
| **Other Loans & Grants** | | | 9,318 | 2,146 | 7,932 | | | | | | | 19,396 |
| **Sweden- Agricultural Sector Development Support Programme (ASDSP) II** | | | | | | | 850 | 653 | 1,300 | 775 | 73 | 3,650 |
| **UNFPA-9th Country Program Implementation** | | | | | | | | | 74 | | | 74 |
| **World Bank - Emergency Locust Response Project (ELRP)** | | | | | | | | | 800 | 1,200 | 2,303 | 4,302 |
| **World bank - Kenya Informal Settlement Improvement Project (KISIP II)** | | | | | | | | | 2,800 | 2,700 | 3,270 | 8,770 |
| **World Bank Loan to Supplement Financing of County Health Facilities** | | | 508 | 1,302 | 779 | | | | | | | 2,590 |
| **Grand Total** | **16,581** | **13,889** | **10,671** | **3,871** | **16,408** | **29,242** | **33,815** | **23,838** | **32,344** | **18,267** | **33,192** | **232,118** |

## Appendix 3: County Pending Bills as at 30th June 2023

| County | County Executive | | County Assembly | | Total |
|---|---|---|---|---|---|
| | (Kshs.) | (Kshs.) | (Kshs.) | (Kshs.) | (Kshs.) |
| | Recurrent | Development | Recurrent | Development | |
| Baringo | 133,194,494 | 45,239,943 | - | - | 178,434,437 |
| Bomet | 98,021,127 | 149,054,931 | - | - | 247,076,058 |
| Bungoma | 504,605,133 | 212,651,586 | 9,582,382 | - | 726,839,100 |
| Busia | 959,145,794 | 734,625,932 | 84,305,333 | - | 1,778,077,059 |
| Elgeyo Marakwet | 7,953,106 | 10,694,583 | - | - | 18,647,689 |
| Embu | 527,428,234 | 807,634,985 | 34,145,792 | - | 1,369,209,011 |
| Garissa | 152,031,929 | 758,251,492 | 4,453,894 | 51,504,445 | 966,241,760 |
| Homa Bay | 74,403,925 | 881,144,600 | 67,584,885 | 11,611,501 | 1,034,744,911 |
| Isiolo | - | 416,147,585 | - | 13,907,483 | 430,055,069 |
| Kajiado | 494,000,000 | 821,000,000 | | | 1,315,000,000 |
| Kakamega | 59,633,472 | 74,684,105 | - | - | 134,317,577 |
| Kericho | 157,937,062 | 388,764,068 | - | - | 546,701,130 |
| Kiambu | 2,339,088,052 | 3,496,604,253 | 98,356,464 | 21,112,528 | 5,955,161,297 |
| Kilifi | 858,604,965 | 1,336,157,182 | - | | 2,194,762,147 |
| Kirinyaga | 212,203,697 | 22,838,418 | - | - | 235,042,114 |
| Kisii | 287,351,006 | 903,562,972 | 8,915,330 | 64,544,417 | 1,264,373,725 |
| Kisumu | 766,501,201.62 | 1,271,780,351.81 | - | - | 2,038,281,553 |
| Kitui | - | 582,804,537 | 11,691,804 | - | 594,496,341 |
| Kwale | - | 268,176,249 | - | - | 268,176,249 |
| Laikipia | 1,245,333,949 | 800,665,024 | 10,179,772 | - | 2,056,178,745 |
| Lamu | 42,204,501 | 30,103,031 | - | - | 72,307,532 |
| Machakos | 1,650,589,527 | 936,102,589 | - | - | 2,586,692,116 |
| Makueni | 260,920,544 | 3,585,673 | 3,126,958 | 2,082,908 | 269,716,083 |
| Mandera | 736,497,117 | 2,359,394,317 | - | - | 3,095,891,434 |
| Marsabit | - | 613,975,787 | 19,717,080 | 256,083,989 | 889,776,856 |
| Meru | - | 380,486,469 | - | - | 380,486,469 |
| Migori | 364,112,186 | 385,472,551 | 62,462,520 | 50,000,000 | 862,047,257 |
| Mombasa | 2,672,147,335 | 1,553,002,722 | 67,036,299 | - | 4,292,186,356 |
| Murang'a | 3,416,057,585 | 160,798,979 | 12,201,263 | 65,641,035 | 3,654,698,862 |
| Nairobi City | 103,298,501,329 | 4,034,867,666 | | | 107,333,377,995 |
| Nakuru | 653,738,834 | 223,795,319 | 42,941,690 | - | 920,475,843 |
| Nandi | 172,237,763 | 393,082,780 | - | - | 565,320,543 |
| Narok | 558,380,614 | 559,245,425 | 43,960,842 | 8,516,122 | 1,170,103,004 |
| Nyamira | 49,380,633 | 29,307,077 | - | - | 78,687,710 |
| Nyandarua | 303,704,304 | 547,329,162 | 60,760,366 | - | 911,793,832 |
| Nyeri | 47,070,659 | 20,528,551 | 11,732,040 | - | 79,331,250 |
| Samburu | 93,893,135 | 423,533,552 | | | 517,426,687 |
| Siaya | 490,811,892 | 362,829,774 | 5,333,680 | 14,396,268 | 873,371,614 |
| Taita-Taveta | 502,141,581 | 437,960,034 | 81,478,984 | 2,250,000 | 1,023,830,599 |
| Tana River | 1,134,724,829 | 997,052,925 | - | - | 2,131,777,754 |
| Tharaka-Nithi | 451,540,602 | 243,562,108 | 47,181,289 | 11,537,268 | 753,821,267 |
| Trans Nzoia | 810,456,288 | 353,597,850 | - | - | 1,164,054,139 |

| County | County Executive | | County Assembly | | Total |
|---|---|---|---|---|---|
| | (Kshs.) | (Kshs.) | (Kshs.) | (Kshs.) | (Kshs.) |
| | Recurrent | Development | Recurrent | Development | |
| Turkana | 10,865,929 | 300,913,898 | - | - | 311,779,827 |
| Uasin Gishu | 160,919,135 | 115,406,463 | 0 | 0 | 276,325,598 |
| Vihiga | 453,729,901 | 897,184,494 | 77,537,527 | 0 | 1,428,451,922 |
| Wajir | 3,888,749,763 | 1,449,868,927 | 149,469,705 | 21,868,235 | 5,509,956,630 |

***Source of Data: Controller of Budget***

## Appendix 4: Commitment on Arrears to the Equalisation Fund

**REPUBLIC OF KENYA**

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'Bunge', Nairobi
Telephone 2848000
Fax: 2243694
E-mail:clerk.senate@parliament.go.ke

**The Senate**
Clerk's Chambers
Parliament Buildings
P. O. Box 41842 -00100
**NAIROBI, Kenya**

**PARLIAMENT**
**OFFICE OF THE CLERK OF THE SENATE**

**REF: SEN/DCS/SCF&B/2023/115**

**18th December, 2023**

COMMISSION ON REVENUE ALLOCATION
RECEIVED
20 DEC 2023
REGISTRY
178

**CPA Mary Wanyonyi Chebukati,**
Chairperson,
Commission on Revenue Allocation,
**NAIROBI.**

Dear Madam,

**RE: FOLLOW-UP ON THE MEETING BETWEEN THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET AND THE COMMISSION ON REVENUE ALLOCATION**

Reference is made to the meeting of the Senate Standing Committee on Finance and Budget held on Thursday, 14th December, 2023, at which you were present.

As you will recall, matters concerning the Equalization Fund were discussed and the Committee informed you that it had engaged the National Treasury and Economic Planning on the issue of the Equalization Fund arrears.

By a letter, Ref. TNT/ZZ/81/014/E (74), dated 19th May, 2023, the National Treasury and Economic Planning submitted to the Committee a proposed plan on how it intends to honour entitlements from the Equalization Fund arrears of Kshs. 39,907,064,000 (including the Financial Year 2023/2024 entitlements) over the next four financial years as summarized below-

| Financial Year | Equalization Fund Arrears |
|---|---|
| 2024/2025 | 9,976,766,000 |
| 2025/2026 | 9,976,766,000 |
| 2026/2027 | 9,976,766,000 |
| 2027/2028 | 9,976,766,000 |
| **Grand Total** | **39,907,064,000** |

The purpose of this letter is to forward the above information to you as resolved at the meeting. Any information concerning this matter may be submitted to the Committee by email through the address: **clerk.senate@parliament.go.ke/ financebudgetcomm.senate@parliament.go.ke.**

**Mr. Christopher Gitonga, Clerk Assistant (Cell Number – 0723 443437),** is the Clerk to the Committee and is responsible for all arrangements relating to this matter.

Yours faithfully,

For:

**J. M. NYEGENYE, CBS,**
**CLERK OF THE SENATE.**

## Appendix 5: RMLF Allocation to Counties for FY 2024/25

| No | County | Total Allocation Per county (Kshs) |
|---|---|---|
| 1 | Baringo | 205,719,787.74 |
| 2 | Bomet | 163,685,210.91 |
| 3 | Bungoma | 184,554,999.28 |
| 4 | Busia | 129,803,891.11 |
| 5 | Elgeyo Marakwet | 150,644,147.55 |
| 6 | Embu | 211,127,369.04 |
| 7 | Garissa | 188,410,092.89 |
| 8 | Homabay | 177,974,495.99 |
| 9 | Isiolo | 190,644,440.69 |
| 10 | Kajiado | 307,376,318.55 |
| 11 | Kakamega | 235,244,397.88 |
| 12 | Kericho | 169,758,085.33 |
| 13 | Kiambu | 335,429,529.62 |
| 14 | Kilifi | 242,979,152.63 |
| 15 | Kirinyaga | 194,894,333.06 |
| 16 | Kisii | 179,407,700.40 |
| 17 | Kisumu | 195,718,947.25 |
| 18 | Kitui | 445,098,849.89 |
| 19 | Kwale | 206,900,399.08 |
| 20 | Laikipia | 235,196,041.93 |
| 21 | Lamu | 134,869,251.86 |
| 22 | Machakos | 314,847,145.85 |
| 23 | Makueni | 415,079,544.48 |
| 24 | Mandera | 192,647,254.89 |
| 25 | Marsabit | 237,670,000.38 |
| 26 | Meru | 284,617,467.66 |
| 27 | Migori | 158,722,954.60 |
| 28 | Mombasa | 130,442,751.60 |
| 29 | Murang'a | 270,941,894.18 |
| 30 | Nairobi | 351,270,031.50 |
| 31 | Nakuru | 527,595,810.89 |
| 32 | Nandi | 187,283,793.82 |
| 33 | Narok | 275,190,523.69 |
| 34 | Nyamira | 114,508,787.31 |
| 35 | Nyandarua | 222,822,887.93 |
| 36 | Nyeri | 281,534,361.32 |
| 37 | Samburu | 168,450,780.04 |
| 38 | Siaya | 160,843,154.82 |
| 39 | Taita Taveta | 223,111,858.65 |
| 40 | Tana River | 192,087,922.00 |
| 41 | Tharaka Nithi | 161,810,686.87 |
| 42 | Trans-Nzoia | 149,496,401.78 |
| 43 | Turkana | 251,956,760.03 |
| 44 | Uasin Gishu | 245,361,739.87 |
| 45 | Vihiga | 104,335,371.63 |
| 46 | Wajir | 251,017,318.26 |
| 47 | West Pokot | 163,127,206.27 |
| | **TOTAL** | **10,522,211,853.00** |

***Source of data: Kenya Roads Board, 2023***

**COMMISSION ON REVENUE ALLOCATION**

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