REPUBLIC OF KENYA

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3rd July, 2026

All County Secretaries

ADVISORY ON SECOND DISBURSMENT OF KDSP II LEVEL 2 GRANT FOR FY 2025/26

The State Department for Devolution is implementing the Second Kenya Devolution Support Program (KDSP II) over a four-year period with the support from the World Bank as a Concessional Financing Credit Number IDA-7447-KE (Loan Revenue). KDSP II is supporting a subset of reforms envisaged under the Government's Devolution Sector Plan. The Program Development Objective is to strengthen County performance in the financing, management, coordination and accountability for resources.

In the FY 2025/26, the Program fulfilled the withdrawal conditions of part of the Level 2 grant after achievement of Disbursement-Linked Indicator 3,4 and 7 as set out in Schedule 3 of the Financing Agreement. The funds totalling to **KES 5,706,143,311.97** are part of the Level 2 grant captured in FY 2025/26 Budget Estimates, County Government Additional Allocation Act and Disbursement Schedule.

County Governments are required to follow the prevailing applicable laws while implementing the Program, which include the Constitution of Kenya, 2010, the Public Finance Management Act, 2012 the Public Procurement and Asset Disposal Act, 2015, Intergovernmental Relations Act 2012, the KDSP II County Participation Agreement, the KDSP II Financing Agreement, KDSP II Program Appraisal Document, KDSP II Project Operational Manual, KDSP II Project Financial Management Manual among others. Specifically, County Governments are requested to take note of the following;

1. Program funds are channelled as conditional grants to the Counties. At the County level, disbursement from the County Revenue Fund (CRF) to the Special Purpose Account (SPA) should be carried out within 14 days of the CRF being credited with Program funds.
2. Counties are required to send an acknowledgement on receipt of funds to the Principal Secretary, State Department of Devolution and attach a Bank Statement for the SPA Account reflecting the transferred amount (disbursed grant) before incurring any expenditure.
3. Counties are required to revise their KDSP II Service Delivery Investment Workplans, budget and cash plan in line with the disbursed amount.
4. Counties are required to approve the KDSP II Service Delivery Investment Workplans, budget and cash plan once cleared by the NPCU
5. Counties are required to submit to the NPCU the following before spending any amount disbursed for Level 2:
    a. Approved Workplan, budget and cash plan for Service Delivery Investment grant,
    b. Project Concept Note for all the proposed projects,
    c. Pre-feasibility Report for all the proposed projects,
    d. Feasibility report, where applicable,
    e. Project Screening report for Disaster, climate, environment and social risks.
6. Counties can only start the implementation process once approval of the submitted documents is granted by the State Department for Devolution.
7. Counties will use Level 2 Grants to finance service delivery investments according to their approved KDSP II Service Delivery Investments Work Plan.
8. The KDSP II Financing Agreement and Program Appraisal Document (PAD) outline some of the eligible and ineligible expenditures that will

be allowed in the KDSP II Program to guide the County Governments in expensing the funds as per the agreement.

9. Counties are required to prepare a quarterly report on implementation progress and use of Program funds and share with the relevant stakeholders, indicating performance against budget as well as a narrative description of key factors impacting the implementation of the Program.
10. At the end of the Financial Year, the County Governments should prepare the Financial Statements for the Program and submit them for Audit by the Office of the Auditor General.

The purpose of this letter, therefore, is to inform you as above and to request you to implement the Program as per the approved Budgets and Work plans. The County Governments shall be personally held responsible in cases of misappropriation, misallocation, or noncompliance with the above, which will lead to suspension of the Program in the County.

Kindly bring the contents of this Letter to the relevant Officers working under you.

M. L. Lenasalon
PRINCIPAL SECRETARY

CC: Principal Secretary, National Treasury

Chief Executive Officer, Council of County Governors

County Executive Committee Member in charge of Finance

County Executive Committee Member in charge of Devolution

County Chief Officer in charge of Finance

County Chief Officer in charge of Devolution

KDSP II County Program Coordinator