



*Approved
SNA
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**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

**THIRTEENTH PARLIAMENT – FIFTH SESSION - 2026
SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS**

REPORT ON THE DIVISION OF REVENUE BILL, 2026

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

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 10 MAR 2026	DAY: TUE
TABLED BY:	HON. SAMUEL ATANDE, MP CHAIRPERSON
CLERK-AT THE-TABLE:	CHRISTINA NDIRITU

March, 2026

TABLE OF CONTENTS

1.0 CHAIRPERSON'S FOREWORD	iii
2.0 PREFACE	iv
2.1 Establishment and Mandate of the Committee	iv
2.2 Membership of the Committee	iv
2.3 Committee Secretariat	vii
2.4 Technical Staff from the Parliamentary Budget Office	vii
2.5 Acknowledgements	viii
3.0 REVIEW OF THE 2026 DIVISION OF REVENUE BILL.....	1
3.1 Background	1
3.2 Review of Macroeconomic and Fiscal Developments.....	2
3.3 Analysis of the Shareable Revenue.....	2
3.4 Growth in the County Shareable Revenue	3
3.5 Allocation Evaluation against Article 203(I) of the Constitution.....	4
3.6 Deviations from the Commission of Revenue Allocation Recommendations	4
3.7 Equalization Fund Allocation	5
4.0 STAKEHOLDER SUBMISSIONS.....	5
4.1 The National Treasury	6
4.2 Council of Governors (CoG).....	7
4.3 Commission of Revenue Allocation (CRA)	7
4.4 Intergovernmental Relations Technical Committee (IGRTC)	8
4.5 Institute of Certified Public Accountants of Kenya (ICPAK)	8
4.6 Intergovernmental Budget and Economic Council (IBEC).....	9
4.7 Bajeti Hub.....	10
4.8 Rift Valley Budget Hub.....	11
4.9 Coast Regional Budget Hub	12
4.10 Kenya Devolution CSO's Working Group.....	13
4.11 Other Submissions	14
5.0 COMMITTEE OBSERVATIONS	15
6.0 RECOMMENDATIONS	17

1.0 CHAIRPERSON'S FOREWORD

The Select Committee on Budget and Appropriations is established under Article 221 (4 and 5) of the Constitution, Section 7 of the Public Finance Management Act, CAP. 412A, and Standing Order 207. Its mandate is to oversee the budgetary process in the National Assembly, which includes reviewing the Division of Revenue Bill.

The Division of Revenue Bill (National Assembly Bill No. 2 of 2026) was published on 19th February 2026. It was read in the National Assembly a First Time on Tuesday, February 24, 2026, and subsequently referred to the Budget and Appropriations Committee for recommendations, as outlined in Standing Order 127(2).

The Division of Revenue Bill aims to provide for the equitable division of revenue raised nationally among the National and County spheres of government for the 2026/27 Financial Year. This is broadly in line with Articles 202, 203, 205, and 218 of the Constitution. Passing the Division of Revenue Bill is pivotal, as it paves the way for the passage of the County Allocation of Revenue Bill (CARB), which is crucial in finalizing budget estimates for the 47 county governments.

Importantly, Article 224 of the Constitution spells out that County Governments draft and adopt their annual budgets based on the approved Division of Revenue Act. Thus, it is crucial for Parliament to approve and enact this bill promptly to ensure a smooth budgeting process at the sub-national level.

On behalf of the Budget and Appropriations Committee, I am honored to present this report on the review of the Division of Revenue Bill (National Assembly Bill No.2 of 2026) for the House's consideration and approval.

2.0 PREFACE

2.1 Establishment and Mandate of the Committee

- I. Article 221 (4) of the Constitution and Section 7 of the Public Finance Management Act, 2012 provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates as follows:
 - i. Examine the Division of Revenue Bill;
 - ii. Investigate, inquire into, and report on all matters relating to coordination, control, and monitoring of the national budget;
 - iii. Review the budget estimates and make recommendations to the House;
 - iv. Examine the Budget Policy Statement presented to the House;
 - v. Examine bills related to the national budget, including appropriation bills; and
 - vi. Evaluate tax estimates, economic and budgetary policies, and programmes with direct budget outlays.

2.2 Membership of the Committee

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

CHAIRPERSON

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

VICE CHAIRPERSON

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

MEMBERS

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

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

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

Hon. Lekuton, Joseph, M.P.
Laisamis Constituency
UDM PARTY

Hon. Ongili, Babu Owino Paul, M.P.
Embakasi East Constituency
ODM PARTY

Hon. Mwirigi, John Paul, M.P.
Igembe South Constituency
UDA PARTY

Hon. (Dr.) Gogo, Lilian Achieng, M.P.
Rangwe Constituency
ODM Party

Hon. Wanjiku, John Njuguna, M.P.
Kiambaa Constituency
UDA PARTY

Hon. Guyo, Ali Wario, M.P.
Garsen Constituency
ODM PARTY

Hon. Dr. Edwin Mugo Gichuki
Mathioya Constituency
UDA PARTY

Hon. Busia, Ruth Adhiambo Odinga, M.P.
Kisumu County
ODM PARTY

Hon. Ochieng, David Ouma, M.P.
Ugenya Constituency
MDG PARTY

Hon. Lesuuda, Josephine Naisula, OGW, M.P.
Samburu West Constituency
KANU PARTY

Hon. Robi, Mathias Nyamabe, M.P.
Kuria West Constituency
UDA PARTY

Hon. Muchira, Michael Mwangi, M.P.
OI Jorok Constituency
UDA PARTY

Hon. Wangaya, Christopher Aseka, M.P.
Khwisero Constituency
ODM PARTY

Hon. Mwakuwona, Danson Mwashako, M.P.
Wundanyi Constituency
WDM – Kenya

Hon. Masara, Peter Francis, M.P.
Suna West Constituency
ODM PARTY

Hon. Murumba, John Chikati, PhD, M.P.
Tongaren Constituency
FORD-Kenya

Hon. Kitilai, Ole Ntutu, M.P.
Narok South
Independent

Sergon, Flowrence Jematiah, M.P.
Baringo County
UDA PARTY

Hon. Abdirahman Mohamed Abdi, M.P.
Lafey Constituency
Jubilee Party

Hon. Kagiri, Jane Wangechi, OGW, M.P.
Laikipia County
UDA Party

Hon. Mokaya, Nyakundi Japheth, M.P.
Kitutu Chache North Constituency
UDA PARTY

Hon. Mutuse, Eckomas Mwengi, OGW, M.P.
Kibwezi West Constituency
MCC Party

2.3 Committee Secretariat

3. The Committee Secretariat is comprised of the following officers:

Mr. Danson Kachumbo
Senior Fiscal Analyst/ Lead Clerk

Dr. Abel Nyagwachi
Senior Fiscal Analyst

Mr. Ringine Mutwiri
Fiscal Analyst/ Clerk Assistant

Mr. Solomon Alubala
Fiscal Analyst

Ms. Loice Olesia
Fiscal Analyst

Mr. David Milimu
Hansard Officer

Ms. Mercy Mayende
Media Relations Officer

Mr. Simon Ouko
Serjeant-at-arms

Mr. Muchiri Mwangi
Audio Officer

Mr. Jared Amara
Office Assistant

2.4 Technical Staff from the Parliamentary Budget Office

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

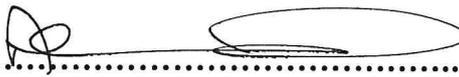
FA Dr. Martin Masinde, OGW
Director, Parliamentary Budget Office

Dr. Evans Kiganda
Principal Fiscal Analyst

2.5 Acknowledgements

5. The Committee expresses its sincere appreciation to the Office of the Speaker and the Office of the Clerk of the National Assembly for their support during the review of this Bill. Additionally, it extends gratitude to the Parliamentary Budget Office for providing technical assistance, which was instrumental in fulfilling its mandate to evaluate the Division of Revenue Bill (National Assembly Bill No. 2 of 2026).

SIGNED

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

10. 3. 2026
.....

DATE

3.0 REVIEW OF THE 2026 DIVISION OF REVENUE BILL

3.1 Background

- 4 The National Assembly adopted the Budget and Appropriations Committee's Report on the 2026 Budget Policy Statement (BPS) on Tuesday, 10th March 2026 which paved the way for the consideration of the Division of Revenue Bill (DoRB).
- 5 The Division of Revenue Bill is prepared in accordance with Article 218 of the Constitution, which outlines specific requirements for its timing and purpose. The Article mandates that the Bill, which seeks to allocate nationally raised revenue between the national government and the county governments, be tabled in Parliament at least two months before the end of the financial year.
- 6 In this regard, the Division of Revenue Bill, 2026, was published on 19th February 2026 and read a First Time in the House on 24th February 2026. Subsequently, it was committed to the Budget and Appropriations Committee for consideration and to facilitate public participation under Standing Order 127(1) of the National Assembly Standing Orders.
- 7 The Bill provides for the vertical sharing of revenue raised nationally between the national government and county governments for the financial year 2026/27, in accordance with Articles 202, 203, 205, and 218 (2) of the Constitution. The basis for determining the sharing of revenue is the most recent audited accounts of revenue, as approved by the National Assembly.
- 8 The approval of the Division of Revenue Bill will pave way for the introduction of the County Allocation of Revenue Bill, which distributes the county's equitable share among the counties using the formula approved pursuant to Article 217 of the Constitution.
- 9 The Bill also provides for allocation to the Equalisation Fund in accordance with the provisions of Article 204(1) of the Constitution. The Constitution provides that 0.5 percent of all the revenue collected by the national government each year, based on the most recent audited and approved accounts of revenue by the National Assembly, be paid into the Fund.
- 10 The Division of Revenue Bill comprises four clauses, a schedule detailing the allocation of revenue raised nationally between the national and county governments, and an explanatory memorandum that explains the provisions of the Bill. Clause 1 specifies the short title, Clause 2 addresses the interpretation of the Bill, Clause 3 outlines its objectives and purpose, and Clause 4 defines the revenue allocations for the national and county governments.

11 The schedule to the Bill provides that the total shareable revenue for FY 2026/27 is estimated at Kshs. 2,901,874,758,144 and is allocated as follows:

i. National Government Share	Kshs. 2,472,272,587,719
ii. County Government Equitable Share	Kshs. 420,000,000,000
iii. Equalization Fund	Kshs. 9,602,170,425

3.2 Review of Macroeconomic and Fiscal Developments

12 The National Treasury projects GDP growth at 5.0 percent in 2025 and 5.3 percent in 2026, up from 4.7 percent in 2024. The projections are anchored on a rebound in agriculture supported by climate-smart investments, strengthened agro-processing linkages and assumptions of favourable weather conditions; recovery in construction due to clearance of pending bills and resumption of stalled infrastructure projects; as well as lower production costs in industry and resilient performance in services, especially tourism and transport.

13 The National Treasury projects that ordinary revenue (primarily tax collections) will rise by Ksh 157.5 billion (5.7 percent), from Ksh 2,744.4 billion (14.4% of GDP) in the approved FY 2025/26 budget to Ksh 2,901.9 billion (13.9% of GDP) in FY 2026/27. This projected growth remains modest and trails the anticipated nominal GDP growth of over 9 percent.

14 Total expenditure and net lending for FY 2026/27 is projected at Ksh. 4,737.5 billion, representing an increase of Ksh. 435.7 billion from Ksh. 4,301.9 billion in the approved FY 2025/26 Budget Estimates. Given the gap between projected expenditure and revenues, the fiscal deficit, including grants, is expected to widen by Ksh. 216 billion, increasing from Ksh. 933 billion (4.8 percent of GDP) in FY 2025/26 to Ksh. 1,149.5 billion (5.5 percent of GDP) in FY 2026/27. The expanded deficit will be financed through a mix of external and domestic borrowing, comprising Ksh. 225.5 billion from foreign disbursements and Ksh. 924 billion from domestic sources.

3.3 Analysis of the Shareable Revenue

15 In the last 10 years, ordinary revenue has been performing below target; significantly affecting the projected equitable share to each level of government. While ordinary

revenue has grown by over 100% from an actual collection of 1,153.0 billion in FY 2015/16 to Ksh. 2,420.2 billion in FY 2024/25, it has generally fallen short of target by over 10 percent under the same period.

16 As a share of GDP, ordinary revenue has been declining from 18.1% in FY 2013/14 to a projected 14.1% in FY 2024/25 and expected to increase marginally to 14.4% in FY 2025/26. A review of revenue collection in the first half of FY 2025/26 shows that ordinary revenue missed the target by Ksh.110.6 billion, from an estimated collection of Ksh. 1,351.9 billion to an actual collection of Ksh. 1,241.3 billion. This is an indication that revenue sharing has been based on overly optimistic projections.

17 The underperformance in revenue collection has not only affected budget implementation by the national government, but also the transfer of equitable share to county governments over the years. For instance, in the first half of FY 2025/26, the transfer of county equitable share was below target by Ksh.33.2 billion against an estimated transfer of Ksh.205.4 billion.

18 Whereas the Division of Revenue Acts protect the county equitable share against deductions arising from revenue shortfalls, revenue underperformance has occasioned delays in timely transfers. Over the years there has been inconsistent transfers of the budgeted county equitable share (DoRA allocation), and in some instances, county governments revenue entitlements have been carried over to the subsequent year. Further analysis indicates that under-disbursements have grown in tandem with the yearly increase in equitable share. For instance, while the allocation for FY 2023/24 was Ksh. 385.4 billion, actual transfers by the end of the financial year stood at Ksh. 354.6 billion registering a shortfall of Ksh.30.8 billion which was disbursed in FY 2024/25.

3.4 Growth in the County Shareable Revenue

19 The allocation of **Ksh.420 billion** to county governments represents an increase of **Ksh. 5 billion** (*1.2 percent growth*) from the previous allocation of Ksh.415 billion for FY 2025/26. This implies that out of the projected shareable revenue growth of Ksh.157.5 billion in FY 2026/27, county governments are set to receive a marginal increase of 3.2 percent of the total. Analysis of previous allocations indicates that the highest revenue adjustment was in FY 2021/22, with an increase of Ksh.53.5 billion with the second highest being Ksh.27.6 billion for FY 2025/26.

3.5 Allocation Evaluation against Article 203(1) of the Constitution

- 20 Article 201 of the Constitution emphasizes the principles of public finance, underscoring the need for equitable sharing of nationally raised revenue between the national and county governments. The sharing of revenue between the two levels of government is supposed to take into consideration the criteria set out in Article 203(1) of the Constitution as stipulated in Article 218(2)(b). The sharing of revenue between the two levels of government took into account these legal provisions by first setting aside allocations to cater for items such as national interest, public debt and other national obligations.
- 21 To arrive at the equitable share for FY 2026/27, a total of Ksh.136.4 billion is set aside for national interest as per Article 203(1)(a) of the Constitution; Ksh. 1,542.1 billion for public debt related costs; and Ksh.876.1 billion for other national mandatory expenses such as pension contributions and constitutional institutions' salaries. From the foregoing, it is apparent that the national government may have to borrow to fund transfers to counties.
- 22 The proposed county equitable share of Ksh.420.0 billion was therefore informed by continuous underperformance of revenue by the end of the fiscal year, increased debt service expenditure, fiscal consolidation commitment to reduce the fiscal deficit to 5.3 percent of GDP, and limited access to domestic and external borrowing. The allocation of Kshs. 420.0 billion to county governments represents an increase of Ksh.5.0 billion from the previous allocation of Kshs. 415.0 billion for FY 2026/27.

3.6 Deviations from the Commission of Revenue Allocation Recommendations

- 23 Article 218(2) of the Constitution and Section 191(5) of the PFM Act (Cap. 412A) require the National Treasury to give reasons for any deviation between their proposal for equitable revenue sharing between the two levels of government and the CRA proposal. In this regard, the Bill evaluates the CRA recommendations for equitable share to each level of government and how this differs from the proposed division of revenue as follows:
- a. **Shareable revenue:** Whereas the National Treasury projects the shareable revenue for FY 2026/27 to be **Ksh. 2,901.9 billion**, CRA has a revenue projection amounting to **Ksh. 2,982.8 billion**; a difference of Ksh.80.9 billion. The National Treasury attributed their comparatively modest revenue projection to major economic shocks that are likely to negatively affect

forecasted revenue in FY 2026/27, while the CRA revenue projection is based on yearly revenue growth.

- b. **Equitable share:** The National Treasury proposes to allocate Ksh. 2,472.3 billion to the national government, Ksh.420 billion to county governments and Ksh.15.2 billion to the equalization fund (inclusive of Ksh. 5.6 billion arrears), whereas the CRA proposes an allocation of Ksh. 2,513.7 billion, Ksh.458.7 billion and Ksh.9.6 billion to these institutions respectively. CRA recommendations were partly informed by a higher estimated shareable revenue and the inclusion of attendant total resources for remunerations of the UHC workers. The National Treasury proposes that the UHC salary be allocated as a conditional additional allocation through the County Governments Additional Allocations Bill, 2026.

3.7 Equalisation Fund Allocation

- 24 The Bill proposes to allocate Ksh.9.6 billion to the Equalisation Fund. This amount is in alignment with the provisions of Article 204(1) of the Constitution which stipulates that 0.5 percent of the most recent audited accounts of revenue be paid into the fund. Further, the National Treasury proposes to allocate an additional Ksh.5.6 billion as partial payments of arrears to the Equalisation Fund bringing the total allocation to the Fund to Ksh.15.2 billion in FY 2026/27.

4.0 STAKEHOLDER SUBMISSIONS

- 25 Pursuant to Article 118(1) of the Constitution on public participation and Article 201 on the principles of public finance including openness and public participation, the Committee invited submission of views from the general public through a request for Memoranda that was published in the newspapers and on Parliament's website. The Committee received submissions from various stakeholders whose content has informed this report.
- 26 The Committee also held consultative engagements with the Intergovernmental Relations Technical Committee, the Intergovernmental Budget and Economic Council, Bajeti Hub, and the Institute of Certified Public Accountants of Kenya. Further, the Committee also engaged the Commission on Revenue Allocation, and the National Treasury to determine the resource requirements among counties and the available fiscal space to finance them. Further, written submissions were received from the

Council of Governors, Coast Regional Budget Hub, Rift Valley Budget Hub, Kenya Devolution CSO's Working Group and Individuals.

27 The concerns raised by stakeholders have been mapped to each stakeholder and the Committee's considerations are captured in the observations.

4.1 The National Treasury

28 According to the National Treasury, the following circumstances informed the proposed Division of Revenue for FY 2026/27:

- i. Ordinary revenue collection underperformance over the years amidst significant expenditure pressures. Indeed, a Ksh.110.6 billion shortfall in ordinary revenue was projected as at end of December 2025.
- ii. The continued shouldering of revenue shortfalls burden by National Government through budget cuts for the National Government entities whereas County Governments continue to receive their full allocation of equitable share.
- iii. The macroeconomic assumptions in the BPS 2026 influencing resources available for allocation which include anticipated growth rates, inflation, and other economic performance indicators.
- iv. The need to finance mandatory expenditures under Article 203 (1) of the Constitution has always left the National Government with minimal and sometimes no resources to finance other obligations such as defense, roads and energy among others. In FY 2025/26, Consolidated Fund Services is taking about 48.5 percent of ordinary revenue, up from 16.4 percent in 2013/14. This trend is expected to remain the same in FY 2026/27.
- v. The need to reduce public debt vulnerabilities and improve debt sustainability through the national government's fiscal consolidation plan, which aims to reduce the fiscal deficit inclusive of grants from 6.0 percent of GDP in FY 2024/25 and FY 2025/26, to 5.3 percent of the GDP in FY 2026/27.

- vi. High cost of servicing public debt. In FY 2025/26, public debt service will account for 52 percent of ordinary revenue which is higher than the average (41 percent) over the period FY 2016/17 to 2024/25.

4.2 Council of Governors (CoG)

29 The Council of Governors proposed specific amendments to the Division of Revenue Bill, 2025, as follows:

- i. The equitable share to counties be increased from Kshs. 420 billion to Kshs.534.96 billion to cater for revenue growth adjustment, transitioning of UHC workers to county governments' payroll, implementation of the outstanding 3rd and 4th remuneration and benefits review cycles, and transfers under the first phase of delineated and gazetted devolved functions as undertaken by the IGRTC in December 2024.
- ii. A total of Ksh.8.94 billion, being the cost for transitioning UHC workers to county governments' payroll, be included in the Division of Revenue for FY 2026/27 as opposed to being transferred as a conditional grant.

4.3 Commission of Revenue Allocation (CRA)

30 The Commission, in its FY 2026/27 vertical sharing proposal, recommended that the national government be allocated Kshs. 2,901.87 billion and county governments Kshs. 458.9 billion as equitable share for the financial year 2026/27. It was submitted that the proposed increase of Ksh.5.0 billion to county governments against a Ksh.152.5 billion increase to the national government does not amount to equity in the sharing of revenues between the two levels of governments for FY 2026/27. Indeed, the provision of Ksh.5 billion is inadequate to cater for the CAIPs intergovernmental obligations and 3% annual wage increments.

31 The conclusion of the unbundling and delineation of functions by IGRTC identified resources amounting to Ksh.65.9 billion being utilized by the national government Ministries, Departments, and Agencies (MDAs) to perform functions assigned to county governments. The CRA therefore recommended that the national government enters into intergovernmental agreements where devolved functions are being budgeted at the national level for purposes of ensuring projects are completed and operationalized.

4.4 Intergovernmental Relations Technical Committee (IGRTC)

32 The Committee, on the status of implementation of Gazette Notice Vol. CXXVI-No.219 on delineation of functions and attendant resources in the FY 2024/25, noted that the IGRTC concluded the unbundling and delineation of functions in December 2024 and embarked on identification of financial resources for transfer to counties. The IGRTC submitted that the consolidated indicative budgetary resources identified for transfer to counties, excluding roads, forestry and energy sectors, are a minimum of Kshs.65.97 billion. The identified resources relate to Agriculture and Blue Economy; Lands; Housing and Urban Development; Trade, Investment, Industry and Cooperative; Transport; Culture and Heritage; Tourism; Water and Sanitation; Disaster Management; and Health.

33 On the vertical sharing of resources, the IGRTC recommended that greater consideration should be given to Article 203(1) of the constitution, particularly Article 203 (1)(d) which specifies that allocations to county governments should be adequate for them to perform the functions that they have been allocated. It was noted that the functions earmarked by the IGRTC for transfer to counties had not been taken into account in the county equitable share.

4.5 Institute of Certified Public Accountants of Kenya (ICPAK)

34 The Institute of Certified Public Accountants of Kenya observed the following in counties: significant underperformance in Own Source Revenue (23% shortfall), low development expenditure absorption rates (26.3%), wage expenditure exceeding 35% threshold, non-

remittance of the outstanding Ksh.46.5 billion balance for Equalization Fund by the National Treasury, and lack of clear measures to address the pending bills issue despite the powers of stopping funds transfer given to the Cabinet Secretary responsible for Finance under Article 225 of the constitution. ICPAK therefore proposed the following:

- i. There is need to build capacity in revenue forecasting, adoption of realistic evidence-based revenue projections and fast-tracking the automation and integration of revenue collection systems across all revenue streams.
- ii. There should be timely disbursements of exchequer releases.
- iii. Tighter controls and monitoring mechanisms should be established to ensure wage expenditures do not surpass the set threshold.
- iv. The government should bridge the Equalization funding gap through 100% allocation.

35 ICPAK further observed that the last audited accounts of revenue were of FY 2020/21. This does not reflect the true status of the national government's revenue collection. There is need, therefore, to expedite the approval of audited accounts so as to give a more accurate representation of the national government's revenue collection. This will help increase the allocation to counties.

4.6 Intergovernmental Budget and Economic Council (IBEC)

36 IBEC expressed concern over the divergent revenue sharing recommendations from the National Treasury, the Council of Governors and the Commission on Revenue Allocation.

They submitted as follows:

- i. There is need for further engagement with National Assembly and Senate to determine the appropriate allocation to County Governments as an adjustment for projected revenue growth.
- ii. Parliament should determine the appropriate placement of the Ksh.8.938 billion earmarked for UHC worker's remuneration as they transition their payroll to the county governments. COG and CRA have recommended that it be included in the

Division of Revenue Bill (DORB) while the National Treasury proposes that it be appropriated under the County Government Additional Allocations Bill (CGAAB) 2026/27. If these funds are placed under the CGAAB, IBEC cautioned that the perennial delays in approval of CGAAB and subsequent release of funds may occasion industrial action and disrupt healthcare service delivery.

4.7 Bajeti Hub

37 Bajeti Hub submitted as follows:

- i. The transfer of functions gazetted by IGRTC represents an important progress to deepen devolution. However, this must be accompanied by attendant resources based on actual costing of service delivery. Bajeti Hub submitted that there is need for the national government to develop and publish a costing framework for each transferred function and resource transfers to counties should be undertaken based on the framework;
- ii. The National Assembly should push to fully devolve health functions as per the IGRTC Gazette Notice of 2024 by compelling the National Treasury to adhere to these provisions and allocate necessary resources to the appropriate level of government;
- iii. The National Government is still heavily investing in primary healthcare functions that should be handled by the counties despite health devolution. This undermines the ability of counties to manage health services, hence denying them the much-needed resources to improve primary healthcare services. For example, recruitment of health personnel such as Community Health Promoters (CHPs) is a primary responsibility of the county's governments, yet the national government continues to increase the allocation and targets of CHPs. In addition, Primary Healthcare Networks which are anchored at the Health Centers are the mandate of the county governments, yet the national government is still playing a significant role in their establishment and running.

4.8 Rift Valley Budget Hub

- 38 In its submission, the Rift Valley Budget Hub raised three key concerns: inadequate allocations to counties, continued execution of county functions by the national government MDAs, and delayed disbursements causing cash flow challenges at the county level.
- 39 The Hub noted that continued reliance on outdated revenue figures fails to reflect the current fiscal capacity of the national government, disadvantaging counties in receiving their fair share of resources which hampers the effective discharge of devolved functions.
- 40 The Hub argued that the Ksh.458.97 billion equitable share proposed by the CRA which is higher than the amount proposed in the DoRB reflects a more realistic assessment of the country's revenue growth and financing needs of county governments.
- 41 The Hub noted persistence in delayed disbursements especially in the first two quarters of the financial year despite several resolutions adopted at IBEC. This cripples service delivery, erodes public trust and slows development in counties.
- 42 The Hub made the following key asks to the National Assembly:
- i. The National Assembly in conjunction with other oversight institutions to expedite the auditing and approval of national revenue accounts. This will ensure revenue sharing is based on accurate financial data.
 - ii. Equitable share to be reviewed and increased to a value closer to Ksh.458.97 billion to better reflect the growth in national revenue.
 - iii. The National Assembly should adopt the IGRTC report findings to ensure complete transfer of devolved functions and their corresponding resources.
 - iv. The National Assembly should strengthen legal provisions to ensure counties receive their equitable on time with clear penalties for non-compliance by the National Treasury.
 - v. Parliament should uphold PFM Act provisions that allow disbursement of up to 50% and ensure continuous funding to counties even in the absence of CARA and

DoRA. This shall help avoid financial paralysis in counties due to delays in legislative approvals.

- vi. Further, the Hub called for ring-fencing the allocation to counties to a bare minimum of Ksh.700 billion by the National Assembly.

4.9 Coast Regional Budget Hub

- 43 The Coast Regional Budget Hub noted that Ksh.420 billion allocated for equitable share was based on FY 2021/22 audited accounts and that it is prudent to consider FY 2023/24 audited accounts in order to raise the equitable share. The use of outdated accounts understates available resources for sharing and denies counties their fair share.
- 44 On the Equalization Fund, Coast Regional Budget Hub submitted that the national government should prioritize the full settlement of outstanding arrears within a clear, time bound framework. It was noted that continued arrears defeat the constitutional purpose of the Fund, of accelerating access to basic services in marginalized areas and reducing historical inequalities.
- 45 The Hub noted that although there is an increase of Ksh.5 billion to county equitable share, this does not translate to improved service delivery. Delayed disbursements disrupt county planning and budgeting, and delays implementation of development projects thereby hampering effective service delivery.
- 46 Further, the Coast Regional Hub called for the reconsideration and revision of macroeconomic assumptions made which indicate that there will be no major shocks given the US-Israel-Iran conflict. This will help avoid overly optimistic projections of inflation, fuel costs, imports, growth and revenue performance which are likely to weaken budget credibility.

4.10 Kenya Devolution CSO's Working Group

- 47 Kenya Devolution CSO's Working Group, a national umbrella for Kenyan civil society networks across 47 counties submitted on four issues, namely: constitutional basis for the division of revenue, weak justifications for the county allocations, delayed transfer of functions, and failure to consider emerging issues determining the equitable share to counties.
- 48 The Group noted that the allocation of Ksh.420 billion to counties is 14.47% of projected ordinary revenue of Ksh.2.902 trillion, in contravention of the constitution's Article 203(2) requirement of at least 15%. Additionally, latest audited accounts are for the FY 2023/24 while the DoRB 2026 relies on 2021/22 audited accounts. Therefore, the total ordinary revenue for FY 2023/24 is Ksh.2.289 trillion translating into an equitable share of at least Kshs.501.29 billion at the current 21.9% proportion.
- 49 It was noted that the key justifications that determined the equitable share were increased expenditures on debt servicing by the national government, and underperformance of revenue growth that is below GDP growth. The group submitted that the ballooning debt is going to affect counties negatively yet counties are never consulted during debt acquisition and that underperformance of revenue is a revenue administration issue that should not be relied upon to deny counties resources.
- 50 The group argued that the national government has continues to perform functions of county governments, limiting the optimal functioning of counties in delivering quality services. Further, it was observed that Resolution 2 of the 12th Summit held on 10th December 2025 affirmed that the unbundled and delineated functions should be part of the basis for Division of Revenue in FY 2026/27 but this has not been reflected in DoRB 2026.
- 51 The group also noted that the additional Ksh.5 billion is too small to enable counties address emerging issues such as climate-induced disasters (droughts and floods), high pending bills, and active collective bargaining agreements.

52 The Group made the following key asks to the National Assembly:

- i. The National Assembly should increase the equitable share to at least Ksh.524.91 billion in consideration of the first phase of devolved functions by IGRTC amounting to Ksh.65.97 billion.
- ii. The National Assembly should expedite approval of audited accounts for FY 2023/24 and apply it as a basis for Division of Revenue for FY 2026/27.
- iii. The National Assembly to demand for valid and legal reasons for National Treasury rejection of CRA recommendations.
- iv. Given the ever-increasing public debt, the National Assembly should sanction publishing of a detailed public debt inventory.
- v. Update and expand the CRA 2015 costing study to cover all devolved and concurrent functions, using current service delivery standards and inflation-adjusted costs and anchor costing results into the Division of Revenue process.

4.11 Other Submissions

53 Other submissions were received from individuals who gave an array of proposals as follows:

- i. It was proposed that equitable revenue sharing should be integrating with a complementary strategic investment approach to support productive capital formation, fiscal sustainability and intergenerational equity. It was recommended that a strategic sovereign investment allocation should be set aside for capital projects. The allocation should be separate from equitable share transfers and disbursement should be performance based. The projects should be of measurable national returns.
- ii. It was further submitted that there is need to establish statutory special purpose development authorities to coordinate multi sector projects, mobilize financing, ensure accountability and facilitate PPPs.

- iii. It was submitted that there is need to base revenue decisions by considering counties as economic units with both needs and potential. It was observed that assets such as natural resources and liabilities such as climate vulnerabilities should be considered.
- iv. It was proposed that there is need to encourage coordinated national investment planning, the need for project appraisal and oversight, consideration of county balance sheet analyses in long term planning and the promotion of sustainable financing approaches.

5.0 COMMITTEE OBSERVATIONS

54 Having considered the content and analysis of the division of revenue bill, as well as the submissions from all the stakeholders, the committee has made the following observations:

- i. Over the years, the performance of shareable revenue has been below target, significantly affecting the transfers of projected equitable share to each level of government. Ordinary revenue as a share of GDP has declined from a peak of 18.1% in FY 2013/14 to 14.1% in FY 2024/25. This trend indicates that during this period, the allocation of equitable shares was based on overly optimistic revenue projections.
- ii. The persistent shortfall in revenue collection has continued to undermine budget execution in both levels of government. Over the years, actual transfers of the projected equitable share to county governments have consistently fallen short of target, thereby disrupting timely delivery of services. To illustrate, in the first half of FY 2025/26, ordinary revenue missed its target by Ksh.110.6 billion. As a result, the transfer of county equitable share also fell below the target by Ksh.33.2 billion.
- iii. Whereas shareable revenue is shared equitably under the provisions of the Constitution, the national government has solely borne the shortfalls in revenue in any given financial year. The committee notes with concern that this continued placing of the burden of shortfalls solely on the national government leads to increased borrowing and weakens the government's fiscal position in the course of the financial year.
- iv. The National Treasury indicates that the proposed allocation of Ksh. 420.0 billion to county governments is arrived at by first setting aside allocations to national interest,

public debt-related costs, and other national obligations. Total allocations to these expenditures amount to Ksh. 2,571.8 billion, leaving a balance of Ksh.330.1 billion out of a targeted shareable revenue of Ksh. 2,901.1 billion. This creates the impression that the government may need to borrow to fund county governments.

- v. Analysis of the Bill against the recommendation of CRA indicates that while the National Treasury has projected shareable revenue for FY 2026/27 of Ksh.2,901.9 billion, the CRA has estimated an amount of Ksh.2,982.8 billion, registering a deviation of Ksh.80.9 billion. The CRA proposes a revenue growth adjustment to counties of Ksh.35 billion while the National Treasury proposed an increase of Ksh.5 billion. The CRA submitted that the additional allocation of Ksh.5 billion is inadequate to cater for the annual salary adjustments of county government workers and even the CAIPs intergovernmental agreement obligations. The committee notes CRA's concern but is of the opinion that the CRA revenue projections are too optimistic and do not give a credible baseline for determination of equitable share.
- vi. The CRA proposed that the allocation for transfers of UHC workers of Ksh.8.9 billion be included in the county equitable share to ensure that counties are able to pay the salaries of UHC workers in perpetuity. Conversely, the National Treasury proposed that these funds be transferred as conditional allocation to counties through the annual County Governments Additional Allocations Bill (CGAAB). The committee notes that monies allocated to counties in the division of revenue are strictly shared through the formula as provided in Article 217(1) of the Constitution. It follows therefore that the inclusion of the UHC funds in the county equitable share would result to their disbursement using the formula as opposed to the UHC workers' payroll.
- vii. Several stakeholders observed that the last audited and approved accounts of revenue were of FY 2020/21, noting that this does not reflect the true national government collection and thus, the equitable share to county governments is not accurately captured. The committee notes this concern and is happy to report that the National Assembly has since considered and approved the accounts of revenue for the FY 2022/23, and this shall form the basis for the allocation of equitable share for the FY 2026/27. Further, the National Assembly shall expedite the approval of the pending audited accounts of revenue for FY 2023/24 and FY 2024/25.

6.0 RECOMMENDATIONS

55 Having considered the above matters, the Committee recommends that this House approves the Division of Revenue Bill as follows:

- i. That, the basis for sharing of revenue for the FY 2026/27 is the approved accounts of revenue for the FY 2022/23 amounting to **Kshs. 2,050,114,740,913**.
- ii. That, the allocation of projected total sharable revenue for FY 2026/27 amounting to **Kshs. 2,901,874,758,144** is as follows:
 - a) National Government Share Kshs. 2,471,624,184,439
 - b) County Government Equitable Share Kshs. 420,000,000,000
 - c) Equalization Fund Kshs. 10,250,573,705

56 Finally, the Committee requests that this House approves the Division of Revenue Bill, 2026 with the amendments as per the attached Schedule.

SIGNED

.....

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

.....10.3.2026.....DATE

 THE NATIONAL ASSEMBLY PAPERS LAID			
DATE:	10 MAR 2026	DAY:	TUE
TABLED BY:	HON SAMUEL ATANDI, MP CHAIRPERSON		
CLERK-AT THE-TABLE:	CHRISTINE NDIRITU		

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT- FIFTH SESSION (2026)

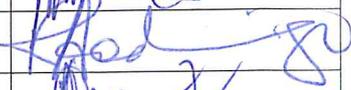
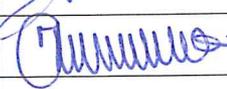
BUDGET AND APPROPRIATIONS COMMITTEE
ADOPTION SCHEDULE

We, the undersigned Members of the Budget and Appropriations Committee, today.....do hereby affix our signatures to this **REPORT OF BUDGET AND APPROPRIATIONS COMMITTEE ON THE DIVISION OF REVENUE BILL, 2026** to affirm our approval and confirm accuracy, validity and authenticity: -

No	NAME	SIGNATURE
1	Hon. Atandi, Samuel Onunga, M.P. -Chairperson	
2	Hon. (Dr.) Pukose Robert, CBS, M.P.- Vice Chairperson	
3	Hon. Chumel, Samwel Moroto, CBS, M.P.	
4	Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.	
5	Hon. Mulu, Makali, PhD, CBS, M.P.	
6	Hon. Lekuton, Joseph, CBS, M.P.	
7	Hon. Lesuuda, Josephine Naisula, OGW, M.P.	
8	Hon. Robi, Mathias Nyamabe, M.P.	
9	Hon. Ochieng, David Ouma, M.P.	
10	Hon. Muchira, Michael Mwangi, M.P.	
11	Hon. Mwakuwona, Danson Mwashako, M.P.	
12	Hon. Wangaya, Christopher Aseka, M.P.	
13	Hon. Mwirigi, John Paul, M.P.	
14	Hon. (Dr.) Masara, Peter Francis, M.P.	
15	Hon. (Dr.) Ongili, Babu Owino Paul, M.P.	
16	Hon. Wanjiku, John Njuguna, M.P.	
17	Hon. (Dr.) Gogo, Lilian Achieng, M.P.	
18	Hon. Guyo, Ali Wario, M.P.	



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No	NAME	SIGNATURE
19	Hon. Murumba, John Chikati, PhD, M.P.	
20	Hon. Busia, Ruth Adhiambo Odinga, M.P.	
21	Hon. Kitilai, Ole Ntutu, M.P.	
22	Hon. Sergon, Flowrence Jematiah, M.P.	
23	Hon. Mokaya, Nyakundi Japheth, M.P.	
24	Hon. Abdirahman Mohamed Abdi, M.P.	
25	Hon. Mutuse, Eckomas Mwengi, OGW, M.P.	
26	Hon. Kagiri, Jane Wangechi, OGW, M.P.	
27	Hon. (Dr.) Mugo, Edwin Gichuki, M.P.	