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1/4/25

**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

**THIRTEENTH PARLIAMENT – FOURTH SESSION - 2025
SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS**

REPORT ON THE DIVISION OF REVENUE BILL, 2025

The Clerk's Chambers
National Assembly
Parliament Buildings
NAIROBI


 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 01 APR 25 March, 2025 Tuesday	
TABLED BY:	Hon. Samuel Afandi (Chairperson, Budget and Appropriations Committee)
CLERK-AT THE-TABLE:	Ernest Chebet



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	vi
2.4 Technical Staff from the Parliamentary Budget Office	vi
2.5 Acknowledgements	vi
5.0 REVIEW OF THE 2025 DIVISION OF REVENUE BILL	I
4.1 Background	I
4.2 Highlights of the Division of Revenue Bill, 2025	2
5.0 STAKEHOLDER SUBMISSIONS.....	4
5.1 The National Treasury	4
5.2 Council of Governors.....	5
5.3 Commission of Revenue Allocation.....	6
5.4 Submissions from Other Stakeholders	6
6.0 OBSERVATIONS.....	12
7.0 RECOMMENDATIONS	13

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. 10 of 2025) was published on 12th March 2025, following the National Assembly's approval of the Budget Policy Statement. It was read in the National Assembly for the first time on Friday, March 15, 2025, 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 2025/26 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.10 of 2025) 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. Ndindi, Nyoro, CBS, M.P. Kiharu Constituency UDA PARTY	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. Ochieng, David Ouma, M.P.
Ugenya Constituency
MDG 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. Busia, Ruth Adhiambo Odinga, M.P.
Kisumu County
ODM PARTY
- 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. 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.
Ol 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
- Hon. Mokaya, Nyakundi Japheth, M.P.
Kitutu Chache North Constituency
UDA PARTY
- Hon. Mutuse, Eckomas Mwenji, 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

Ms. Sylvia Ocharo
Senior Policy Analyst/Clerk Assistant

Mr. Ringine Mutwiri
Fiscal Analyst/ Clerk Assistant

Mr. Moses Mwariri
Legal Counsel

Ms. Loice Olesia
Fiscal Analyst

Mr. David Milimu
Hansard Officer

Ms. Fridah Ngari
Media Relations

Mr. Simon Ouko
Serjeant-at-arms

Mr. Nimrod Ochieng
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

Mr. Robert Nyagah
Senior Deputy Director, PBO

Dr. Abel Nyagwachi
Senior Fiscal Analyst

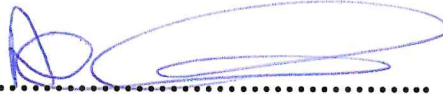
Mr. Kioko Kiminza
Fiscal Analyst III

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. 10 of 2025).

SIGNED



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

1.4.2025

.....
DATE

5.0 REVIEW OF THE 2025 DIVISION OF REVENUE BILL

4.1 Background

6. The National Assembly adopted the Liaison Committee's Report on the 2025 Budget Policy Statement (BPS) on Wednesday, 12th March 2025. This approval paved the way for the introduction of the Division of Revenue Bill in the House. The BPS serves as a precursor to the Division of Revenue Bill, as it outlines the fiscal framework, resource envelope, and shareable revenue, setting the foundation for equitable resource sharing.
7. The Division of Revenue Bill is prepared in accordance with Article 218 of the Constitution, which outlines specific requirements for its timing and purpose. It mandates that the Bill be tabled in Parliament at least two months before the end of the financial year. The Bill seeks to allocate nationally raised revenue among the two levels, between the national government and the county governments.
8. The Division of Revenue Bill, 2025, was published on 12th March 2025 and read a First time in the House on 14th March 2025. 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.
9. The Bill provides for the vertical sharing of revenue raised nationally between the national government and county governments for the financial year 2025/26, in accordance with Articles 202, 203, 205, and 218 (2) of the Constitution. The basis for determining the revenue to be shared is the most recent audited accounts of revenue received, as approved by the National Assembly. The most recent audited revenues approved by the National Assembly relate to FY 2020/21 and stood at Kshs. 1,570,562,942,014.
10. The approval of the Division of Revenue Bill paves the way for the national government to finalize the annual estimates of expenditure and 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.
11. The Bill also provides for the allocation to the Equalization 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. The Bill proposes an allocation of Ksh.7.85 billion to the Equalization Fund and a further allocation of Ksh.2.74 billion in the FY 2025/26 as partial payment to arrears to the Fund. The arrears to the Fund as of the end of FY 2023/24 stood at Kshs. 49 billion.

Between the inception of the Fund (FY 2011/12) and June 2024, the total disbursement to the Fund stands at Kshs. 13.4 billion out of the total cumulative entitlement of Kshs. 62.4 billion.

4.2 Highlights of the Division of Revenue Bill, 2025

12. The Division of Revenue Bill comprises five 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.

13. Clause 5 of the Division of Revenue Bill addresses mechanisms to account for revenue fluctuations during the financial year. It specifies that if revenue collection falls short of projections, the national government will bear the entire burden of the shortfall. Conversely, if revenue performance exceeds expectations, the surplus may be directed toward reducing the fiscal deficit, thereby contributing to improved fiscal sustainability.

14. The schedule to the Bill provides that the total shareable revenue for FY 2025/26 is estimated at Kshs 2,835,040,979,609 and is allocated as follows;

i. National Government Share	Kshs. 2,419,382,005,336
ii. County Government Equitable Share	Kshs 405,069,420,197
iii. Equalization Fund	Kshs 10,589,554,076

15. 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. Furthermore, Article 203(2) and (3) mandate that county governments receive an equitable share of at least 15% of the total revenue collected by the national government annually. This allocation is based on the most recent audited accounts of revenue, as approved by the National Assembly, ensuring compliance with constitutional requirements and promoting fairness in the distribution of resources.

16. The Committee observed that the proposed equitable share for county governments in the FY 2025/26 stands at Kshs. 405.1 billion. This amount corresponds to 25.8% of the last approved audited revenue, which was Kshs. 1,570,562,942,014 for FY 2020/21. Since this allocation exceeds the 15% constitutional minimum outlined in Article 203(2), it

satisfies the constitutional requirement, demonstrating compliance with the principles of equitable resource distribution.

17. The Bill indicates that the proposed allocations of Ksh.405.1 billion to counties was informed by factors such as continuous underperformance of revenue by the end of the fiscal year, increased expenditures for debt services, the fiscal consolidation commitments of reducing fiscal deficit to 4.3 percent of GDP and the limited access to domestic and external borrowing. The Committee noted that the allocation of Kshs. 405.1 billion to county governments, represents an increase of Ksh.17.7 billion from the previous allocation of Kshs. 387.4 billion for FY 2024/25.
18. Article 203 (1) of the 2010 Constitution outlines the criteria for allocating resources between the national and county governments. This includes considerations on matters of national interest, provisions for public debt and other national obligations, the needs of the national and county governments to perform their functions, the desirability of stable and predictable revenues, and the flexibility to manage emergencies and other temporary needs.
19. Article 218(2) of the Constitution and section 191(5) of the Public Finance Management Act (Cap. 412A) require that the Division of Revenue Bill be accompanied by a summary of any significant deviation from the recommendations of the Commission on Revenue Allocation. The Bill gives a summary of deviations from the recommendations of the Commission of Revenue Allocation. Whereas the Bill proposes Ksh.405.1 billion, CRA recommended that equitable share to counties be Ksh.417.4 billion.
20. The CRA's recommendation was primarily informed by the need to provide adequate resources to counties, the requirement for counties to provide matching funds for certain national government priorities and other non-discretionary expenditures, and the anticipated sharing of revenue among counties through the proposed fourth basis.
21. The Kshs.12.3 billion discrepancy between the proposed allocation by the Division of Revenue Bill and the Commission on Revenue Allocation arises from differing parameters employed by the National Treasury and the CRA in developing the figure. The CRA adopted an expenditure needs analysis approach, whereas the National Treasury proposal was informed by resource availability in consideration of other competing needs.
22. The CRA's recommendation accounts for several factors, including the necessity to allocate sufficient resources for counties to fulfill their mandated functions, provide

- counterpart funding for shared initiatives such as county-aggregated industrial parks and community health promoters, and ensure that no county receives a lower allocation compared to the FY 2024/25 budget. In addition, the Commission also anticipates approval and subsequent implementation of the fourth basis for revenue sharing among counties.
23. Conversely, the National Treasury's proposal was shaped by considerations such as the projected ordinary revenue, revenue collection shortfalls that impact the national government programmes, expenditure pressures related to public debt, and other national priorities and the expectation that County Governments will continue to enhance their Own Source Revenues to reduce overreliance on national transfers and improve their fiscal sustainability.

5.0 STAKEHOLDER SUBMISSIONS

24. 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 a Memorandum that was published in the newspapers and on the website of Parliament. The Committee received five submissions from various stakeholders whose content has informed this report.
25. The Committee also held consultative engagements with the Institute of Economic Affairs, the Institute of Public Finance, Bajeti Hub, and the Institute of Certified Public Accountants of Kenya. The Committee also engaged with the Council of Governors, the Commission on Revenue Allocation, and the National Treasury to determine the resource requirements among counties and the available fiscal space to finance them.
26. The concerns raised by stakeholders have been mapped into thematic areas, and the Committee's consideration has been provided.

5.1 The National Treasury

27. The National Treasury submitted the factors informing the proposed Division of Revenue for FY 2025/26, including:
- i. Ordinary revenue underperformance in FY 2024/25 is likely to result in lower ordinary revenue projected for FY 2025/26. The National Treasury has revised its ordinary revenue projection downwards from Kshs. 3,018.8 billion initially

projected in BROP 2024 to the projection in DORB 2025 and BPS 2025 of Kshs. 2,835.0 billion. This projection is informed by ordinary revenue projection revisions for FY 2024/25 from an initial target of Kshs 2,917.2 billion to a baseline of Kshs. 2,541.8 billion. The revision is due to a decline in economic performance recorded in the first half of FY 2024/25, resulting from both external and domestic shocks.

- ii. It was further submitted that the equitable share allocation was determined after considering the mandatory expenditures under Article 203(1) of the Constitution, which are to be financed in FY 2025/26. This resulted in the allocation of Kshs. 405.1 billion by the National Treasury as the equitable share to the counties.
- iii. The National Treasury submitted that since the National Government bears the burden of revenue underperformance, this has resulted in constrained resources for the National Government.
- iv. It was further noted that the cost of servicing public debt is high. It was noted that public debt service in FY 2025/26 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.

5.2 Council of Governors

28. 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. 405,069,420,197 to Kshs. 536,880,000,000 to cater for unmet discretionary expenses such as the enhanced contributions to NSSF, housing levy deductions, matching funds for county aggregation industrial parks, and funding for Community Health Promoters.

- ii. It was further proposed that the arrears for the Equalization Fund should be added to the county's equitable share. The Council of Governors submitted that the arrears reduce the sharable revenue and proposes that it should only be included in the Appropriation Bill.

5.3 Commission of Revenue Allocation

29. The Commission, in its FY 2025/26 vertical recommendation, recommended that the national government be allocated Kshs. 2,409.75, and county governments Kshs. 417.4 billion as equitable shares for the financial year 2025/26. It was noted that the proposed decline in the share of allocations to the county government has a negative impact on the ability of governments to improve service delivery to the citizens. It was submitted that the Bill presents items of national interest as being synonymous with national government priorities. It was proposed that national interests can be implemented by either level of government, based on the principle of subsidiarity.

5.4 Submissions from Other Stakeholders

Revenue collection

30. It was proposed that the National Treasury reduce tax leakages to further enhance ordinary revenue performance. It was submitted that the government should regulate revenue from government assets, dividends from state-owned enterprises, and user fees to reduce overreliance on taxation. It was further proposed that revenue projections should reflect realistic economic growth rates, inflation trends, and external shocks. Additionally, the National Treasury should consider inflation rates in informing the Division of Revenue in the future.
31. It was proposed that the tax collection efficiency of the Kenya Revenue Authority (KRA) should be strengthened, while ensuring that taxes are fair to ordinary citizens. It was proposed that a crackdown on corruption and inefficiencies in tax collection and government procurement processes should be enforced.

Committee observation

32. The Committee notes that the proposals for enhanced revenue collection. The National Assembly approved the Medium-Term Revenue Strategy and the National Tax Policy,

which aimed to enhance the efficiency, transparency, and predictability of tax administration. The National Assembly, in Supplementary II FY 2024/25, allocated additional resources to KRA to enable it to streamline revenue collection.

County Funding and Accountability in the Management of County Funds

33. It was submitted that county allocations should be aligned with service delivery demands, particularly in health and other devolved functions. It was proposed that the county allocation should be used for infrastructure, healthcare, water projects, agriculture, and social development. It is further proposed that strict accountability measures should be enforced to prevent misappropriation and corruption at the county level. It was recommended that there is a need to establish a real-time public audit system to track county government spending and introduce an annual public audit report for each county government detailing how funds have been utilized.

Committee observation

34. The Committee observed that the allocation to County Governments has been at least 20 percent in recent years, as per the Constitution, which requires at least 15 percent. It was further noted that the Office of the Auditor General conducts audits for both National Government and County Government entities. Additionally, County budgets are submitted to public participation and approved by the relevant County Assembly, in line with the priorities and peculiarities of the county.

Use of past audited and approved revenue (FY 2020/21)

35. It was proposed that the National Assembly should expedite the approval process of audited financial statements. It was further submitted that the Auditor General should act with speed and produce updated, audited, and approved revenue data to facilitate accuracy in determining revenue sharing between counties and national governments, thereby reflecting the economic realities.

Committee observation

36. The Committee takes note of the above concerns and agrees with the stakeholders on the need to expedite the approval of more recent audited revenue figures.

Variation between the Division of Revenue and the CRA proposals

37. It was submitted that the National Assembly adopt the CRA's Recommendation of Ksh.417.4 billion as the equitable share to the counties. It was further submitted that the government should provide a clear justification for the variance. It was proposed that

revenue allocation should adhere to the Commission on Revenue Allocation's recommendations, which cost the county services, as opposed to the National Treasury's assumptions on which the bill relies. Additionally, it was proposed that there is need for harmonization between the National Treasury recommendations of the equitable share and the Commission on Revenue Allocation recommendations.

Committee observation

38. The Committee noted that the equitable share proposed by the National Treasury takes into account present macroeconomic conditions amidst budgetary constraints. Notably, the allocation is above the 15 percent threshold prescribed by the Constitution.

Proposal to increase the equitable share to counties to Kshs. 441 billion.

39. It was submitted that, to address the declining proportion of the equitable share allocated to County Governments, the proportion of each level of government be maintained at the average of the last three financial years, 2022/23 to 2024/25. For the national government, the average is 84.1%, while that for County Governments is 15.56%. As a result, the allocation to the county equitable share translates to Kshs 441 billion.

Committee observation

40. The Committee noted that while the proposal is plausible, the national government's share includes interest payment on public debt that has been on an upward trajectory, and that the sharing of resources should be cognizant of prevailing macroeconomic conditions.

Own Source Revenue (OSR) enhancements

41. Improve county revenue collection strategies to reduce over-reliance on equitable share allocations.

Committee observation

42. The Committee noted that the equitable share is provided for in the Constitution, and OSR collections are additional revenues generated by counties to meet their budgetary needs. The equitable share should, therefore, be adhered to.

Funding gap due to donors' withdrawal

43. There is a need for more allocation to counties to supplement the gap left due to the withdrawal of donor funding from Kenya, especially in health-related financing, such as USAID and GAVI, which are facing challenges. It was further proposed that the horizontal

revenue sharing formula should, however, be based on the disease burden for the counties, especially for the affected services, due to the donor withdrawal.

Committee observation

44. The Committee has taken note of this proposal, and the Government will allocate resources for key health programs affected by the withdrawal of donor funding, pending an assessment by the Ministry of Health.

Delays in disbursement to counties and accountability

45. It was suggested that the National Treasury provide a detailed payment plan for the unremitted funds of the Equalization Fund. It was also suggested that the National Treasury implement monitoring mechanisms to ensure that funds are used for their intended purposes in marginalized areas.

Committee observation

46. The Committee agreed with stakeholders on the need to expedite the implementation and disbursement of the Equalization Fund, as intended in the Constitution. The Committee also noted the need to revise the allocation basis to align it with regional intentions as envisaged in the Constitution.

Government borrowing and debt transparency

47. It was proposed that more focus should be on funding county services as opposed to debt financing. It was further submitted that the national government needs to adopt sustainable debt measures in accordance with Section 107 of the Public Finance Management Act, 2012. It was further proposed that the government should adopt a more transparent debt management framework, ensure borrowing is at affordable interest rates, and prioritize loans for capital expenditures. Furthermore, it was proposed that there is a need for auditing of the public debt, and that the publicly accessible debt register should be maintained.
48. It was also proposed that the projections provided in the DORBs align with figures from the Public Debt Management Office (Annual Public Debt Reports) to ensure that the Office's Annual Public Debt Reports accurately reflect the total shareable revenue. Additionally, it was proposed that the bill should include provisions ensuring that county disbursements remain unaffected by revenue and national debt obligations.

Committee observation

49. The Committee took note of these proposals and observed that the Public Debt and Privatization Committee considers issues it. Several measures have been enacted to ensure that Kenya's debt does not exceed certain levels through the approval of the debt limit, which is 55 percent of GDP ratio in present value terms. Counties are granted their resources from an ordinary revenue share collected by the National Government. Additionally, counties are allowed to borrow with the National Government guarantee. In addition, counties also received additional funding in the form of conditional loans and grants from donors.

Budget allocations to follow functions and the National Interest under Article 203 of the Constitution

50. It was proposed that budget allocations should follow the functions outlined in Schedule 4 of the Constitution of Kenya, 2010. It was further recommended that for each item under National Interest, the National Treasury provide an explanation of the allocations to the identified programmes of national interest, as well as the factors that inform the changes from one DORB to the subsequent one.

Committee observation

51. The National Interest, as explained in the memorandum, does not exclude county governments, since any activity or program carried out by the National Government benefits every citizen living in Kenya, irrespective of the county. Therefore, National Government projects have a significant impact across the country and can only be carried out by the National Government. The Committee also observed that there is a laid-down framework for the transfer of functions and resources whenever there is a need to perform concurrent functions.

Fast-tracking of costing county functions by IGTRC

52. It was submitted that the National Assembly should request the National Treasury, together with IGTRC, to provide an update on the costing of expenditures for devolved functions.

Committee observation

53. During the processing of the 2025 BPS, through a resolution, the National Assembly directed the IGTRC to undertake costing of the delineated functions by April 30, 2025, to facilitate the transfer of these functions.

Prioritize Funding for Industrialization and Innovation

54. It was proposed that at least 10% of national revenue should be allocated towards building and supporting local manufacturing industries to reduce dependence on imports and for job creation. It was further proposed that there is need to establish Special Economic Zones (SEZs) and industrial parks in all counties to create jobs, attract foreign investments, and support local businesses. Additionally, it was proposed that there is need to provide low-interest business loans, grants, incentives, and subsidies for small and medium enterprises (SMEs) involved in manufacturing to boost local production.

Committee observation

55. The government is committed to increasing supporting the manufacturing sector. The government is currently implementing the County Aggregated Industrial Parks, which will be in each of the 47 counties.

Boost Funding for Innovation, Technology & Research

56. It was proposed that at least 5% of the national budget should be allocated to innovation, technology, and research to support startups and homegrown technological advancements. It was further submitted that there is a need for a National Innovation and Entrepreneurship Fund to support young innovators and tech startups. Additionally, it was proposed that there is a need to integrate digital solutions into public service delivery to enhance efficiency and reduce corruption.

Committee observation

57. The Committee agrees with the proposals, most of which align with the BETA agenda and are already under implementation through various agencies and government-funded research institutions, including the Ministry of Education, the Ministry of ICT and Digital Economy, the Ministry of Agriculture, and the Ministry of Health.

Elimination of nonessential spending

58. It was proposed that spending on foreign and domestic travel, vehicles, and allowances should be banned. It was further proposed that to reduce administrative bloat and eliminate duplication of roles across government departments, government offices should be merged or consolidated. Additionally, it was proposed that salary caps for public officials should be implemented and that the government should ensure that government resources are directed towards national development.

Committee observation

59. The government has rolled out austerity measures, which involve the removal of wasteful spending. Specifically, there has been significant reduction in foreign travel budgets, reduction of delegation sizes for essential foreign travel, and overall cuts in purchases of consumables within the government.

6.0 OBSERVATIONS

60. The Committee noted that the government continues to experience shortfalls in revenue collection, including external resource mobilization on account of lower-than-expected economic growth. These shortfalls have compelled the government to adopt fiscal consolidation measures, including budgetary cuts and expenditure growth containment in the national government. The Committee further noted that lower ordinary revenue collection continues to impact the allocation to county governments. This situation is further complicated by high public debt service expenditures.

61. The Committee noted that there have been delays in transferring the equitable share to counties, which have been attributed to underperformance in revenue collection. These delays have adversely affected service delivery across counties and have led to the accumulation of carryovers from one financial year to the next, impacting available resources to the national government.

62. The Committee observed that the Equalization Fund was intended to drive tangible development in historically marginalized areas. However, the current implementation of the fund has deviated from this goal, as resources have been dispersed across numerous small-scale projects. This dilution of focus has rendered these initiatives largely ineffective in addressing the entrenched marginalization they were designed to mitigate.

63. The Committee noted that the proposed equitable share to counties by the CRA and CoG is partly premised on the fourth basis for sharing revenue, despite the fact that the formula is yet to be approved by Parliament. The Committee, therefore, observed the need to delink the process of vertical sharing of revenue between the two levels of government, as mandated by Articles 202, 203, and 218(1)(a), from the horizontal sharing of revenue among the 47 counties, as per Article 217 of the Constitution.

64. The Committee noted that the allocation in the Division of Revenue Bill relies on the audited and approved revenue for the 2020/21 financial year, which may not accurately represent the current revenue performance. Therefore, it is necessary to expedite the approval of more recent audited revenue figures.

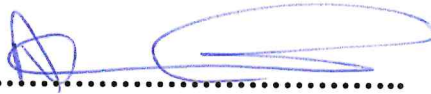
7.0 RECOMMENDATIONS

65. Having considered the above matters, the Committee recommends that this House approve the Division of Revenue Bill as follows:

- | | |
|---------------------------------------|-------------------------|
| i. National Government Share | Kshs. 2,419,382,005,336 |
| ii. County Government Equitable Share | Kshs 405,069,420,197 |
| iii. Equalization Fund | Kshs 10,589,554,076 |

66. Finally, the Committee requests that this House approve the Division of Revenue Bill, 2025, be read a Second time.


SIGNED



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

1.4.2025

DATE

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 01 APR 2025	DAY: Tuesday
TABLED BY:	Hon. Samuel Atandi (Chairperson, Budget and Appropriations Committee)
CLERK-AT THE-TABLE:	Getrude Chibot

**MINUTES OF THE 6TH SITTING OF THE SELECT COMMITTEE ON BUDGET
& APPROPRIATIONS HELD ON FRIDAY, 28TH MARCH 2025 FROM 2.00 P.M. AT
KAHAWA CONFERENCE ROOM, THE TRADEMARK SUITES HOTEL**

PRESENT:

1. **Hon. Atandi, Samuel Onunga, M.P. -Chairperson**
2. **Hon. (Dr.) Pukose Robert, CBS, M.P.- Vice Chairperson**
3. Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.
4. Hon. Mulu, Makali, PhD, CBS, M.P.
5. Hon. Robi, Mathias Nyamabe, M.P.
6. Hon. Ochieng, David Ouma, M.P.
7. Hon. Muchira, Michael Mwangi, M.P.
8. Hon. Wangaya, Christopher Aseka, M.P.
9. Hon. (Dr.) Masara, Peter Francis, M.P.
10. Hon. Kitilai, Ole Ntutu, M.P.
11. Hon. Sergon, Flowrence Jematiah, M.P.
12. Hon. Mokaya, Nyakundi Japheth, M.P.
13. Hon. Abdirahman Mohamed Abdi, M.P.
14. Hon. Mutuse, Eckomas Mwengi, OGW, M.P.

ABSENT WITH APOLOGY:

1. Hon. Ndindi, Nyoro, CBS, M.P.
2. Hon. Chumel, Samwel Moroto, CBS, M.P.
3. Hon. Lekuton, Joseph, M.P.
4. Hon. Lesuuda, Josephine Naisula, OGW, M.P.
5. Hon. Mwakuwona, Danson Mwashako, M.P.
6. Hon. Mwirigi, John Paul, M.P.
7. Hon. (Dr.) Ongili, Babu Owino Paul, M.P.
8. Hon. Wanjiku, John Njuguna, M.P.
9. Hon. (Dr.) Gogo, Lilian Achieng, M.P.
10. Hon. Guyo, Ali Wario, M.P.
11. Hon. Murumba, John Chikati, PhD, M.P.
12. Hon. Busia, Ruth Adhiambo Odinga, M.P.
13. Hon. Kagiri, Jane Wangechi, OGW, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|----------------------------------|-----------------------|
| 1. FA. (Dr.) Martin Masinde, OGW | Director |
| 2. Mr. Robert Nyaga | Deputy Director |
| 3. Dr. Abel Nyagwachi | Senior Fiscal Analyst |
| 4. Mr. Kioko Kiminza | Fiscal Analyst III |
| 5. Mr. Jared Amara | Office Assistant |

COMMITTEE SECRETARIAT

- | | |
|--------------------------|--------------------------------------|
| 1. Mr. Danson Kachumbo | Senior Fiscal Analyst / Lead Clerk |
| 2. Ms. Sylvia Ocharo | Senior Research and Policy Analyst |
| 3. Mr. Moses Mwariri | Legal Counsel II |
| 4. Mr. Ringine M. Wilson | Fiscal Analyst III / Assistant Clerk |
| 5. Ms. Loice Olesia | Fiscal Analyst III |
| 6. Ms. Fridah Ngari | Media Relations Officer III |
| 7. Mr. David Milimu | Hansard Officer |
| 8. Mr. Simon Ouko | Sergeant at Arms |
| 9. Mr. Nimrod Ochieng | Audio Officer |

AGENDA

1. *Prayers;*
2. *Preliminaries;*
3. *Consideration and adoption of the Committee draft report on the Division of Revenue Bill (DoRB), 2025*
4. *Any Other Business (A.O.B); and*
5. *Adjournment.*

MIN. NO.NA/BAC/2025/020: PRELIMINARIES

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 2.30 p.m. A prayer was said by Hon. Mokaya, Nyakundi Japheth, M.P.

MIN. NO.NA/BAC/2025/021: CONFIRMATION OF PREVIOUS MINUTES

The minutes of:

1. 2nd Sitting on March 26th, 2025, was proposed by Hon. Muchira, Michael Mwangi, M.P. and seconded as true reflection by Hon. Mulu, Makali, PhD, CBS, M.P.
2. 3rd Sitting on March 27th, 2025 (Morning) was proposed by Hon. (Dr.) Pukose Robert, CBS, M.P. and seconded as true reflection by Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.
3. 4th Sitting on March 27th, 2025 (Afternoon) was proposed by Hon. Mulu, Makali, PhD, CBS, M.P. and seconded as true reflection by Hon. Abdirahman Mohamed Abdi, M.P.
4. 5th Sitting on March 28th, 2025 (Morning) was proposed by Hon. (Dr.) Pukose Robert and seconded as true reflection by Hon. Muchira, Michael Mwangi, M.P.
5. 6th Sitting on March 28th, 2025 (Afternoon) was proposed by Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P. and seconded as true reflection by Hon. Mutuse, Eckomas Mwangi, OGW, M.P.

**ADOPTION OF THE DRAFT REPORT ON
THE DIVISION OF REVENUE BILL
(DoRB), 2025**

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P. and seconded by Hon. Mutuse, Eckomas Mwengi, OGW, M.P. After deliberations the report was **ADOPTED** with the following observations and recommendations as follows:

OBSERVATIONS

1. The Committee noted that the government continues to experience shortfalls in revenue collection, including external resource mobilization on account of lower-than-expected economic growth. These shortfalls have compelled the government to adopt fiscal consolidation measures, such as budgetary cuts and the containment of expenditure growth in the national government. The Committee further noted that lower ordinary revenue collection continues to affect the quantum of allocation to county governments. This situation is compounded by the high public debt service expenditures.
2. The Committee noted that there have been delays in transferring the equitable share to counties, which has been attributed to revenue collection underperformance. These delays have adversely affected service delivery across counties and have led to the accumulation of carryovers from one financial year to the next, impacting available resources to the national government.
3. The Committee observed that the Equalization Fund was intended to drive tangible development in historically marginalized areas. However, the current implementation of the fund has deviated from this goal, as resources have been dispersed across numerous small-scale projects. This dilution of focus has rendered these initiatives largely ineffective in addressing the entrenched marginalization they were designed to mitigate.
4. The Committee noted that the proposed equitable share to counties by the CRA and CoG is partly premised on the fourth basis for sharing revenue despite the fact that the formula is yet to be approved by Parliament. The Committee, therefore, observed the need to delink the process of vertical sharing of revenue between the two levels of government as mandated by Articles 202, 203, and 218 (1)(a) from the horizontal sharing of revenue among the 47 counties as per Article 217 of the Constitution.
5. The Committee noted that the allocation in the Division of Revenue Bill relies on the audited and approved revenue for the 2020/21 financial year, which may not accurately represent the current revenue performance. Therefore, it is necessary to expedite the approval of more recent audited revenue figures.

RECOMMENDATIONS

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

- i. National Government Share Kshs. 2,419,382,005,336
- ii. County Government Equitable Share Kshs 405,069,420,197
- iii. Equalization Fund Kshs 10,589,554,076

Finally, the Committee requests that this House approve the Division of Revenue Bill, 2025, be read a Second time.

MIN.NO.NA/BAC/2025/023: ANY OTHER BUSINESS & ADJOURNMENT

There being no other business, the meeting was adjourned at 4.00 p.m. The next meeting will be communicated on notice.

SIGNED



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HON. ATANDI SAMUEL ONUNGA, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

28. 03. 2025.

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DATE

REPUBLIC OF KENYA



NATIONAL ASSEMBLY

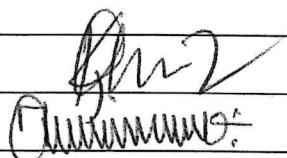
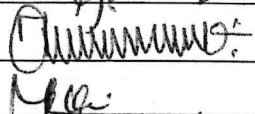
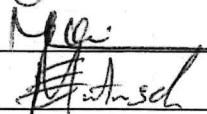
THIRTEENTH PARLIAMENT- FOURTH SESSION

BUDGET AND APPROPRIATIONS COMMITTEE

ADOPTION SCHEDULE

We, the undersigned Members of the Budget and Appropriations Committee, today....~~28.03.2025~~ do hereby affix our signatures to this **REPORT OF BUDGET AND APPROPRIATIONS COMMITTEE ON THE DIVISION OF REVENUE NATIONAL ASSEMBLY BILL NO.10 OF 2025** 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. Ndindi, Nyoro, CBS, M.P.	
4	Hon. Chumel, Samwel Moroto, M.P.	
5	Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.	
6	Hon. Mulu, Makali, PhD.CBS, M.P.	
7	Hon. Lekuton, Joseph, M.P.	
8	Hon. Lesuuda, Josephine Naisula, OGW, M.P.	
9	Hon. Robi, Mathias Nyamabe, M.P.	
10	Hon. Ochieng, David Ouma, M.P.	
11	Hon. Muchira, Michael Mwangi, M.P.	
12	Hon. Mwakuwona, Danson Mwashako, M.P.	
13	Hon. Mwirigi, John Paul, M.P.	
14	Hon. Wangaya, Christopher Aseka, M.P.	
15	Hon. (Dr.) Masara, Peter Francis, M.P.	
16	Hon. (Dr.) Ongili, Babu Owino Paul, M.P.	
17	Hon. Wanjiku, John Njuguna, M.P.	
18	Hon. Sergon, Flowrence Jematiah, M.P.	
19	Hon. Guyo, Ali Wario, M.P.	

20	Hon. (Dr.) Gogo, Lilian Achieng, M.P.	
21	Hon. Murumba, John Chikati, PhD., M.P.	
22	Hon. Busia, Ruth Adhiambo Odinga, M.P.	
23	Hon. Kitilai, Ole Ntutu, M.P.	
24	Hon. Mokaya, Nyakundi Japheth, M.P.	
25	Hon. Abdirahman Mohamed Abdi, M.P.	
26	Hon. Mutuse, Eckomas Mwengi, OGW, M.P.	
27	Hon. Kagiri, Jane Wangechi, OGW, M.P.	