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**REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY**

**THIRTEENTH PARLIAMENT – THIRD SESSION -2024
SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS**

**REPORT ON ITS CONSIDERATION OF THE SENATE AMENDMENTS TO THE
DIVISION OF REVENUE BILL (NATIONAL ASSEMBLY BILL NO.14 OF 2024)**

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

May, 2024



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CHAIRPERSON'S FOREWORD

In accordance with Article 110 of the Constitution, Section 191(4) of the Public Finance Management Act, 2012 and Standing Orders 41; I am honoured to present to this House, on behalf of the Members of the Budget and Appropriations Committee, the Committee's Report on the Message from the Senate on the Division of Revenue Bill (National Assembly Bill No. 14 Of, 2024).

The National Assembly considered and passed the Division of Revenue Bill (National Assembly Bill No. 14 of 2024) on 20th March 2024. The message was transmitted to the Senate on 21st March 2024 for its consideration and concurrence in line with provisions of Article 110 (4) of the Constitution and Standing Order 41 of the National Assembly relating to the messages to and from the Senate. The Senate, on Thursday 2nd May 2024, passed the Division of Revenue Bill, 2024 with amendments and the same was referred to the National Assembly for concurrence under provisions of Article 112(1) (b) of the Constitution.

On 2nd May 2024, the Speaker received the message from the Senate regarding its passage and referred the Message and Schedule of Senate amendments to the Budget and Appropriations Committee for consideration.

The Committee held one Sitting where extensive deliberations were held on the message received from the Senate. Based on these deliberations, the Committee observed that the major point of departure between the National Assembly and the Senate is on the allocation of equitable share to the County Governments. The amendment by the Senate seeks to allocate an additional Kshs. 24,835,411,853 to Counties and a reduction of allocation to the National Government by an equal amount.

Committee Recommendations

The Committee recommends that this House **rejects** the amendments by the Senate given the limited fiscal space to accommodate the additional resources to county governments.

Report on its consideration of the Senate Amendments to the Division of Revenue Bill, 2024

PREFACE

Establishment and Mandate of the Committee

1. 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. Discuss and 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;

Membership of the Committee

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

CHAIRPERSON

Hon. Ndindi, Nyoro, CBS, M.P.
Kiharu Constituency
UDA PARTY

VICE CHAIRPERSON

Hon. Otucho, Mary Emaase, M.P.
Teso South Constituency
UDA PARTY

MEMBERS

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

Hon. Odhiambo, Millie Grace Akoth, CBS, M.P.
Suba North Constituency
ODM PARTY

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- Hon. (Dr.) Mulu, Makali, M.P.**
Kitui Central Constituency
WDM – Kenya
- Hon. Lesuuda, Josephine Naisula, OGW, M.P.**
Samburu West Constituency
KANU PARTY
- Hon. Ochieng, David Ouma, M.P.**
Ugenya Constituency
MDG PARTY
- Hon. Shinali, Bernard Masaka, M.P.**
Ikolomani Constituency
ODM PARTY
- Hon. Atandi, Samuel Onunga, M.P.**
Alego Usonga Constituency
ODM PARTY
- Hon. Mejjadonk, Benjamin Gathiru, M.P.**
Embakasi Central Constituency
UDA PARTY
- Hon. Wachira, Rahab Mukami, M.P.**
Nyeri County
UDA PARTY
- Hon. (Dr.) Ongili, Babu Owino Paul, M.P.**
Embakasi East Constituency
ODM 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. Lekuton, Joseph, M.P.**
Laisamis Constituency
UDM PARTY
- Hon. Robi, Mathias Nyamabe, M.P.**
Kuria West Constituency
UDA PARTY
- Hon. Muchira, Michael Mwangi, M.P.**
Ol Jorok Constituency
UDA PARTY
- Hon. Mwakuwona, Danson Mwashako, M.P.**
Wundanyi Constituency
WDM – Kenya
- Hon. Mwirigi, John Paul, M.P.**
Igembe South Constituency
UDA PARTY
- Hon. Wangaya, Christopher Aseka, M.P.**
Khwisero Constituency
ODM PARTY
- Hon. (Dr.) Masara, Peter Francis, M.P.**
Suna West Constituency
ODM PARTY
- Hon. Wanjiku, John Njuguna, M.P.**
Kiambaa Constituency
UDA PARTY
- Hon. (Dr.) Murumba, John Chikati, 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. Abdirahman Mohamed Abdi, M.P.
Lafey Constituency
Jubilee Party

Committee Secretariat

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

Mr. Danson Kachumbo
Fiscal Analyst/ Lead Clerk

Mr. Ringine Mutwiri
Fiscal Analyst/ Committee Clerk

Ms. Sylvia Ocharo
Committee Clerk

Mr. Moses Mwariri
Legal Counsel

Mr. Simon Ouko
Serjeant-at-arms

Mr. David Milimu
Hansard Officer

Mr. Nimrod Ochieng
Audio Officer

Ms. Fridah Ngarı
Media Relations

Ms. Shamsa Abdi
Research Officer

Mr. Jared Amara
Office Assistant

Technical Staff from Parliamentary Budget Office

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

Dr. Martin Masinde
Director, Parliamentary Budget Office

Mr. Fredrick Muthengi
Deputy Director

ACKNOWLEDGEMENTS

The Budget and Appropriations Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly and the Parliamentary Budget Office for the support extended in fulfilling this mandate of reviewing the Senate Amendments to the Division of Revenue Bill (National Assembly Bill No. 14 of 2024).

On behalf of the Committee and pursuant to Standing Order 199(6), it is my pleasant duty and privilege to table the Report and recommend it to the House for adoption.

SIGNED



HON. NDINDI NYORO, CBS, M.P.

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE



DATE

A. BACKGROUND

1. The Division of Revenue Bill (DoRB) is an annual instrument that provides for the vertical sharing of revenue raised nationally between the national government and county governments for that particular financial year in accordance with Article 202, 203, 205 and 218 (2) of the Constitution. The basis for determination of the revenue to be shared is the most recent audited accounts of revenue received as approved by the National Assembly.
2. The National Assembly considered and passed the Division of Revenue Bill (National Assembly Bill No. 14 of 2024) on 20th March 2024. The message was transmitted to the Senate on the 21st March 2024 for its consideration and concurrence in line with provisions of Article 110 (4) of the Constitution and Standing Order 41 of the National Assembly relating to the messages to and from the Senate.
3. The Senate on Thursday 2nd May 2024, passed the Division of Revenue Bill, 2024 with amendments and the same was referred to the National Assembly for concurrence in accordance with provisions of Article 112(1) (b) of the Constitution.
4. pursuant to Article 202 and 203 of the Constitution, the projected sharable revenue collection for the financial year 2024/25 is estimated at Kshs 2,948,123,505,582. The National Assembly approved that the amount be shared between the National government, County governments and the Equalization Fund as follows as:
 - i. National Government Share Kshs. 2,549,153,902,710
 - ii. County Government Equitable Share Kshs 391,116,788,147
 - iii. Equalization Fund Kshs 7,852,814,725

B. SENATE AMENDMENTS TO THE DIVISION OF REVENUE BILL, 2024.

5. In its consideration of the Division of Revenue Bill, (National Assembly Bill No. 14 of 2024), the Senate observed that the county governments are faced with additional expenditure demands due to implementation of key national government priority programmes such as county aggregation and industrial parks, and community health promoters which are jointly funded by the national and county governments on a 50:50 matching basis. There are also expenditure demands emanating from the new housing levy deductions and new Social Health Insurance Fund (SHIF) contributions.
6. The Senate notes that the Bill uses a baseline of Kshs. 374.492 billion as the allocation for Financial Year 2023/24 against the actual baseline of Kshs. 385.425 billion. The Senate notes that the netting out of Kshs. 10.9 billion as adjustment for the Road Maintenance Levy Fund (RMLF) is erroneous since the equitable share, once approved, does not include any additional allocations. Consequently, the Senate contends that the actual adjustment for revenue growth in county equitable share is Kshs. 5.692 billion as opposed to the Kshs. 16.625 billion as set out in the explanatory memorandum to the Bill approved by the National Assembly.
7. In this regard, the Senate amended the DoRB, 2024 as passed by the National Assembly by substituting the first schedule of the Bill with a new first schedule that sought to allocate an additional Kshs. 24,835,411,853 to Counties and a reduction of allocation to the National Government by an equal amount as tabulated herein.

Type/Level of allocation	Approved by the National Assembly	Approved by the Senate
A. Total Sharable Revenue	2,948,123,505,582	2,948,123,505,582
B. National Government	2,549,153,902,710	2,524,318,490,857
C. Equalization Fund	7,852,814,725	7,852,814,725
D. County equitable share	391,116,788,147	415,952,200,000

C. COMMITTEE OBSERVATIONS

The committee made the following observations:

- i. The major point of departure between the National Assembly and the Senate is on the allocation of equitable share to the County Governments. The amendment by the Senate seeks to avail an additional Kshs. 24,835,411,853 to Counties and a reduction of similar amount from the allocation to the National Government.
- ii. The National Government continues to solely bear shortfalls in revenue collection in any given financial year while County Governments continue to receive their full allocation despite the budget cuts affecting the National Government entities. For instance, in the FY 2023/24, there is an expected revenue shortfall amounting to approximately Kshs. 300 billion. Consequently, the National Government has rationalized the expenditure for FY 2024/25 by approximately Kshs. 270 billion from the approved BPS ceilings.

D. COMMITTEE RECOMMENDATION

The Committee recommends that this House rejects the amendments by the Senate given the limited fiscal space to accommodate the additional resources to county governments.

SIGNED



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HON. NDINDI NYORO, CBS, M.P.

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE



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Report on the Message from the Senate on the Division of Revenue Bill, 2024