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From: Clerk Assistant

Date: 31st March, 2026

RE: REPORT ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)

The above matter refers.

The Standing Committee on Finance and Budget has considered and adopted its Report on The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026).

The purpose of this memo is to forward the Report, and seek your approval for tabling of the said report in the Senate.


Christopher Gitonga

*Rt. Hon. Speaker
You may approve
for tabling.
31/03/26*

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COMMITTEE	Finance and Budget
WORK AT THE TABLE	Ms. Belinda

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REPUBLIC OF KENYA

THIRTEENTH PARLIAMENT - FIFTH SESSION

THE SENATE

STANDING COMMITTEE ON FINANCE AND BUDGET

REPORT ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL
ASSEMBLY BILLS NO. 2 OF 2026)

Clerk's Chambers,
Parliament Buildings,
NAIROBI.

March 2026

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LIST OF ABBREVIATIONS/ACRONYMS

BPS	-	Budget Policy Statement
CAF	-	County Assembly Forum
CFS	-	Consolidated Fund Services
COG	-	Council of Governors
CRA	-	Commission on Revenue Allocation
DORB	-	Division of Revenue Bill
FY	-	Financial Year
GDP	-	Gross Domestic Product
ICPAK	-	Institute of Certified Public Accountants of Kenya
Ksh.	-	Kenya Shillings
NG-CDF	-	National Government Constituencies Development Fund
PFM Act	-	Public Finance Management Act
SRC	-	Salaries and Remuneration Commission
TISA	-	The Institute of Social Accountability
UHC	-	Universal Health Coverage

PREFACE

ESTABLISHMENT AND MANDATE OF THE COMMITTEE

Article 124 (1) of the Constitution of Kenya provides that each House of Parliament may establish committees and shall make Standing Orders for the orderly conduct of its proceedings, including the proceedings of its committees.

Parliamentary committees consider policy issues, scrutinize the workings and expenditures of the National and County Governments, and examine proposals for legislation. The end result of any process in Committees is a report, which is tabled in the House for consideration.

The Senate Standing Committee on Finance and Budget is established under Section 8(1) of the Public Finance Management (PFM) Act, Cap 412A and standing order 228 of the Senate Standing Orders and is mandated to-

- a) investigate, inquire into, and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -
 - (i) the Budget Policy Statement presented to the Senate;
 - (ii) the report on the budget allocated to constitutional Commissions and independent offices;
 - (iii) the Division of Revenue Bill, the County Allocation of Revenue Bill, the County Governments Additional Allocations Bill, and the cash disbursement schedules for county governments;
 - (iv) all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, matters concerning the national budget, including public finance and monetary policies and public debt, planning, and development policy; and
- b) Pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.

MEMBERSHIP OF THE COMMITTEE

The Standing Committee on Finance and Budget was constituted by the Senate of the Thirteenth (13th) Parliament on Thursday, 13th October, 2022 during the First Session. The Committee was later reconstituted on Wednesday, 12th February, 2025, during the Fourth Session. The Committee as currently constituted is comprised of the following Members-

- | | | |
|--|---|-------------------------|
| 1) Sen. (Capt.) Ali Ibrahim Roba, EGH, MP | - | Chairperson |
| 2) Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3) Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4) Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 5) Sen. Richard Momoima Onyonka, MP | - | Member |
| 6) Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 7) Sen. Eddy Gicheru Oketch, MP | - | Member |
| 8) Sen. Mariam Sheikh Omar, MP | - | Member |
| 9) Sen. Essy Okenyuri Nyaituga, MP | - | Member |

CHAIRPERSON'S FOREWORD

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) was published vide a Kenya Gazette Supplement No. 14 of 2026. The Bill was introduced in the National Assembly, debated and passed with amendments on Tuesday, 10th March, 2026. Consequently, in accordance with Article 110(4) of the Constitution, the Bill was referred to the Senate for consideration.

The Bill was read a First Time in the Senate on Wednesday, 18th March, 2026. Consequently, pursuant to standing order 145 of the Senate Standing Orders, the Bill was committed to the Standing Committee on Finance and Budget for consideration and facilitation of public participation.

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) is prepared in line with Article 218 of the Constitution. It provides for vertical equitable sharing of revenue raised nationally between the national and county levels of government in Financial Year (FY) 2026/27 in accordance with Articles 202(1) and 203 of the Constitution.

The projected revenue collection for Financial Year 2026/27 is projected at Ksh.2,901,874,758,144. Out of this, it is proposed that the National Government's share be Ksh.2,471,624,184,439, representing 85.17% of the projected revenue, while county governments' equitable share is proposed to be Ksh.420 billion representing 14.47% of the total projected revenue. The Equalisation Fund is allocated Ksh.10,250,573,705.

The Bill indicates that the proposed county governments' equitable share is 20.5% of the most recent audited and approved revenue for FY 2022/2023. The County equitable share is proposed to increase by Ksh.5 billion, which is equivalent to 1.2% growth, from a baseline of Ksh.415.0 billion (allocated in FY 2025/2026).

The Bill also provides an allocation to the Equalisation Fund for the FY 2026/2027 totaling Ksh.10,250,573,705, which is 0.5% of FY 2022/23 audited and approved revenue (Ksh.2,050,114,740,913), pursuant to Article 204 of the Constitution.

It is worth noting that during consideration of the 2026 Budget Policy Statement approved by the Senate, the Senate made some key financial recommendations with

regard to the division of revenue. Notably, the Senate recommended county governments equitable share allocation of Ksh.454,743,157,879 for FY 2026/27.

The recommendation was informed by the need for county governments to-

- meet non- discretionary financial obligation whose costs are affected by inflation.
- Implement the SRC 3rd and 4th review cycle of salary/remuneration for county state officers and public officers.

Following the referral of the Bill to the Standing Committee, and pursuant to Article 118 of the Constitution and standing order 145(5) of the Senate Standing Orders, the Committee facilitated public participation and took into account the views and recommendations of the public when preparing the report on the Bill. An advert inviting the general public to submit memoranda on the Bill was published in two newspapers of nationwide circulation on 20th March, 2026.

During consideration of the Bill, the Committee held four (4) meetings (*Annex 2- minutes of the Committee*). The Committee received submissions from the following key stakeholders –

- a) The National Treasury and Economic Planning;
- b) The Commission on Revenue Allocation (CRA);
- c) The Council of Governors (COG);
- d) Joint submission by the Institute of Certified Public Accountants of Kenya (ICPAK) and Bajeti Hub;
- e) The County Assembly Forum (CAF);
- f) The Institute of Social Accountability (TISA);
- g) The Institute of Public Finance;
- h) The Institute of Economic Affairs; and
- i) Mr. Nahashon Kamau.

Following deliberations on the Bill, the Committee made several observations, among them-

- a) The county equitable share is proposed to grow by Ksh.5 billion from a baseline of Ksh.415 billion in FY 2025/26; a marginal increase of 1.2 percent. This is

insufficient to address growing expenditure needs at the county level. This increase does not adequately cater for mandatory obligations such as annual salary adjustments of county government workers as well as intergovernmental counterpart funding obligations.

- b) While the Bill indicates that the national government solely absorbs revenue shortfalls, the Committee observed that delayed disbursement to counties leads to cash flow constraints. For instance, in the first half of FY 2025/26, due to revenue underperformance by Ksh.110.6 billion, transfers to county governments were below target by Ksh.50.4 billion. Over the years, there have been persistent deviations from approved cash disbursement schedules, and in some years, equitable share allocations have been carried forward into the subsequent financial year.
- c) A clause in previous similar Bills, which insulated counties from arbitrary cuts due to revenue shortfalls, is missing in the current Bill. This clause is critical as it gives effect to Article 219 of the Constitution which stipulates that county allocations should be transferred without undue delay and without deduction. The removal of this clause introduces uncertainty on how such shortfalls will be managed going forward.
- d) The Commission on Revenue Allocation (CRA) and the Council of Governors (CoG) proposed that the Ksh.8.94 billion for transfer of UHC workers payroll to counties be included in the equitable share for FY 2026/27 as opposed to the County Government's Additional Allocations Bill (CGAAB). The Committee observed that the allocation in DoRB must be subjected to the 4th Basis for sharing revenue among counties. Consequently, the Ksh.8.94 billion would not be shared among counties based on the UHC payroll. This move would disadvantage a number of counties
- e) The Bill indicates that the additional Ksh.5 billion to counties is the outcome of an adjustment for revenue growth from the FY 2025/26 baseline. However, the methodology used to determine this adjustment is not clearly explained. Indeed, taking into account the arguments in the Bill concerning national interest, the

Committee observed that this is a residual figure after allocations to national expenditure needs.

- f) The County Equitable share should be adjusted to cater for inflation which is estimated at 5%, implementation of SRC 3rd and 4th review cycle of salary/remuneration for county state and public officers, and other non-discretionary expenditures.

Recommendations

Having considered the Bill and submissions from the stakeholders, the Committee recommends that the Senate approves the Bill with the following amendments –

- a) Insertion of a new clause 5 to provide that-
 - 5. (1) If the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government.
 - (2) If the actual revenue raised nationally in the financial year exceeds the projected revenues set out in the Schedule, the excess revenue shall accrue to the national government and may be used to reduce borrowing or pay debts.
- b) The Schedule to the Bill be amended to reflect the following –
 - i) The total sharable Revenue Ksh.2,901,874,758,144;
 - ii) National Government share – Ksh.2,436,881,026,560;
 - iii) County government share – Ksh.454,743,157,879; and
 - iv) The Equalisation Fund - Ksh.10,250,573,705.

Acknowledgement

The Committee appreciates all the stakeholders who submitted written memoranda or appeared before the Committee to present their comments on the Bill.

The Committee appreciates the support extended by the offices of the Speaker and the Clerk of the Senate while undertaking this important assignment.

I take this opportunity to commend the Members of the Committee for their devotion and commitment to duty, which made the consideration of the Division of Revenue Bill, 2026 successful.

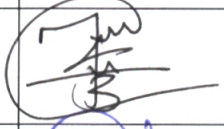
It is now my pleasant duty, pursuant to standing order 148(1) of the Senate Standing Orders, to present the Report of the Standing Committee on Finance and Budget on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026).

Signature..........Date...31/03/2026.....

**SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP,
CHAIRPERSON,
STANDING COMMITTEE ON FINANCE AND BUDGET**

**ADOPTION OF THE REPORT OF THE STANDING COMMITTEE ON
FINANCE AND BUDGET ON THE DIVISION OF REVENUE BILL, 2026
(NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)**

We, the undersigned Members of the Senate Standing Committee on Finance and Budget, do hereby append our signatures to adopt this Report-

	Name	Designation	Signature
1.	Sen. Capt. Ali Ibrahim Roba, EGH, MP	Chairperson	
2.	Sen. Maureen Tabitha Mutinda, CBS, MP	Vice-Chairperson	
3.	Sen. (Dr.) Boni Khalwale, CBS, MP	Member	
4.	Sen. Mohamed Faki Mwinyihaji, CBS, MP	Member	
5.	Sen. Richard Momoima Onyonka, MP	Member	
6.	Sen. Shakila Abdalla Mohamed, MP	Member	
7.	Sen. Eddy Gicheru Oketch, MP	Member	
8.	Sen. Mariam Sheikh Omar, MP	Member	
9.	Sen. Essy Okenyuri Nyaituga, MP	Member	

CHAPTER ONE

OVERVIEW OF THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)

1.1 Legal provisions governing the Division of Revenue between National and County Governments.

1. The Division of Revenue Bill is prepared in accordance with Article 218 of the Constitution which mandates that at least two months before the end of the financial year, a Division of Revenue Bill allocating revenue raised nationally between the national and county governments be introduced in Parliament. Further, Article 202(1) of the Constitution requires that revenue raised nationally be apportioned equitably between the national and county governments. Article 203(2) of the Constitution further stipulates that the minimum equitable share to counties should be not less than fifteen percent of the most recent audited accounts of revenue collected by the national government, as approved by the National Assembly.
2. 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 should be accompanied by a memorandum that explains the following-
 - i) *How the bill takes into account the criteria listed in Article 203(1) of the constitution;*
 - ii) *The extent of the deviation from the Commission on Revenue Allocation's recommendations;*
 - iii) *The extent, if any, of deviation from the recommendations of the Intergovernmental Budget and Economic Council; and*
 - iv) *Any assumptions and formulae used in arriving at the respective shares.*
3. In line with Section 191(2) of the Public Finance Management Act Cap. 412A, the Division of Revenue Bill specifies the share for each level of government, of the revenue raised nationally for the relevant financial year.
4. 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, shall be paid into the Fund.

1.2 Consideration of the Division of Revenue Bill, 2026 by Parliament.

5. The Division of Revenue Bill (National Assembly Bill No. 2 of 2026) was published on 19th February, 2026 and read a First Time in the National Assembly on 24th February, 2026. The National Assembly considered the Bill and approved it with amendments on 10th March, 2026, after which the Bill was referred to the Senate for concurrence in line with Article 110(4).
6. The National Assembly amendments to the Bill were undertaken to reflect the change in the base revenue year from FY 2021/22 to FY 2022/23, following the National Assembly's recent approval of the 2022/23 audited revenue accounts, amounting to Ksh.2,050,114,740,913.
7. Subsequently, the Bill was read a First Time in the Senate on Wednesday, 18th March, 2026 and pursuant to standing order 145 of the Senate Standing Orders, it was committed to the Standing Committee on Finance and Budget. In consideration of the Bill, the Committee undertook public participation with key stakeholders and has prepared a report to the Senate which takes into account the views of the public.
8. Once there is concurrence on the Bill by both Houses, it will pave the way for the introduction of the County Allocation of Revenue Bill, which distributes the county equitable share among the counties using the formula approved under Article 217 of the Constitution.

1.3 Key Highlights of the Division of Revenue Bill, 2026

9. The total sharable revenue for FY 2026/27 is estimated at Ksh. 2,901.87 billion. Of this amount, the Bill proposes to allocate Ksh.2,471.62 billion to the national government, Ksh.420 million to county governments and Ksh.10.25 billion to the Equalisation Fund. Notably, pursuant to Article 203(3) of the Constitution, the proposed county equitable share amounts to 20.5% of the most recent audited and approved accounts of revenue.

10. Equally, as per Article 204 of the Constitution, the Equalisation Fund is allocated 0.5 per cent of the 2022/23 audited and approved revenue, which amounts to Ksh. 10,250,573,705. This fund is used to finance development programmes that aim at reducing regional disparities among beneficiary counties.

1.4 Basis for Revenue Sharing

11. As required under Article 218(2) of the Constitution and Section 191(5) of the Public Finance Management Act (Cap. 412A), the Bill contains an explanatory memorandum that explains the extent to which the provisions of Article 203(1) of the Constitution have been taken into account the deviation from the CRA recommendations on the division of revenue as well as the assumptions and formulae used in arriving at the revenue shares.

12. According to the Bill, the proposed county equitable share allocation of Ksh.420 billion is informed by the following factors:

- a) Revenue underperformance: As at the end of December 2025, ordinary revenues for FY 2025/26 recorded a shortfall of Ksh. 110.6 billion from the target. If this trend continues, it is bound to affect the projected ordinary revenue for FY 2026/27. The Bill notes that the national government has continuously borne the shortfalls in revenue in any given financial year, except for FY 2024/25.
- b) Macroeconomic assumptions outlined in the 2026 BPS: anticipated growth rates, inflation and other economic performance indicators influence the resources available for allocation.
- c) Increasing non-discretionary expenditure: Consolidated Fund Services (CFS) accounts for 48.5% of ordinary revenue in FY 2025/26, up from 16.4% in FY 2013/14. Pensions and interest payments tripled their share of revenues to 8.7% and 39.8% from FY 2013/14 to FY 2025/26. This trend is expected to remain constant in FY 2026/27. The Bill emphasizes that the national government is facing increased expenditures for purposes of debt service.

- d) Fiscal consolidation plan: the national government spending plan aims at reducing the fiscal deficit inclusive of grants from 5.9 percent of GDP in FY 2024/25 to 5.3 percent of GDP in FY 2026/27. Hence the need for continuous rationalization of expenditures to enhance efficiency in resource utilization.
13. The Bill further indicates that the sharing of revenue between the two levels of government considers the legal provisions in Article 203(1) of the Constitution as stipulated in Article 218(2)(b), by first setting aside allocations for national obligations. In this regard, Ksh.136.4 billion has been 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.
14. The explanatory memorandum of the Bill indicates that after taking into account all the other factors contemplated under Article 203(1) of the Constitution, including the needs of the county government, there are no resources left to finance other national government needs such as defence, roads, energy among others. In fact, the national government is left with a financing gap of Ksh.108.2 billion which may occasion additional borrowing thereby distorting the 2026/27 fiscal framework and negatively impacting the fiscal consolidation plan.
15. As per provisions of Article 218(2) and Section 191(5) of the PFM, Act (Cap. 412A), the Bill further highlights reasons for the deviation from the recommendations of the Commission on Revenue Allocation (CRA) on the proposed sharing of revenue between the two levels of government. The CRA had recommended that county governments receive an equitable share amounting to Ksh.458.9 billion. This is Ksh. 38.9 billion more than the National Treasury proposal of Ksh.420 billion. In this regard, the Bill indicates that the National Treasury proposal differs from the CRA proposal based on the following factors:
- a. Adjustment for revenue growth from the baseline: the CRA proposal is largely premised on high revenue performance that may not be attained. While the National Treasury projects that the shareable revenue for FY 2026/27 will

amount to Ksh. 2,901.9 billion, CRA has a revenue projection amounting to Ksh. 2,982.8 billion - a deviation of Ksh. 80.9 billion. The Bill points out that not only is this revenue projection unlikely to be attained, but also the revenue actually collected will largely be dedicated towards mandatory expenditures including public debt. The Bill further points out that the Ksh.420 billion allocation is much higher than the 15 percent minimum threshold under Article 203(2) of the constitution.

- b. Remuneration of Universal Healthcare (UHC) Workers: The CRA has proposed an allocation of Ksh.8.94 billion be included in equitable share in FY 2026/27 to fully transition UHC workers to permanent and pensionable staff. On its part, the National Treasury proposes that these resources be allocated as a conditional allocation to county governments through the County Governments' Additional Allocations Bill, 2026.

CHAPTER TWO

SUBMISSIONS BY STAKEHOLDERS ON THE BILL

2.0 Introduction

16. Pursuant to the provisions of Article 118 of the Constitution and the Senate Standing Orders, the Committee sent invitations to key Stakeholders inviting them to a meeting and to submit their comments on the Division of Revenue Bill 2026. Additionally, the Committee published an advert in two daily newspapers inviting members of the public to submit their views on the DORB 2026-*(Annex 3-Public Advert)*.

17. Consequently, the Committee received submissions *-(Annex 2-Stakeholders submissions)* from the following Stakeholders-

- a) The National Treasury and Economic Planning;
- b) The Commission on Revenue Allocation (CRA);
- c) The Council of Governors (COG);
- d) Joint submission by the Institute of Certified Public Accountants of Kenya (ICPAK) and Bajeti Hub;
- e) The County Assembly Forum (CAF);
- f) The Institute of Social Accountability (TISA);
- g) The Institute of Public Finance;
- h) The Institute of Economic Affairs; and
- i) Mr. Nahashon Kamau

2.2 Submissions by the Commission on Revenue Allocation

18. The Commission on Revenue Allocation appeared before the Committee and submitted as follows-

- a) CRA observed that the Ksh.5 billion increment to counties is insufficient to cater for the annual salary increment of Ksh.5.85 billion, based on a 3% increase on an estimated county wage bill of Ksh.195 billion. They therefore recommended that the county governments' equitable share be increased to Ksh.458.9 billion in FY 2026/27 to ensure equity in revenue sharing. That this proposed increase

translates to an additional Ksh.43.94 billion, comprising Ksh.35 billion (8.43%) to account for revenue growth and Ksh.8.94 billion being a transfer from the Ministry of Health budget to cater for Universal Health Coverage (UHC) workers.

- b) That the Bill indicates the balance left to be shared between the two levels of government as Ksh.330 billion for FY 2026/27. CRA clarified that shareable revenue, as defined in the Constitution and the CRA Act, 2011, comprises all nationally raised revenues and should strictly form the basis for allocating revenue to county governments.
- c) On additional conditional allocations, CRA noted that the Ksh. 8.94 billion earmarked for UHC workers is intended to facilitate their transition to permanent and pensionable terms within county governments, following a resolution of the 12th National and County Governments Coordinating Summit held on 10th December 2025.
- d) They therefore recommended that the Ksh.8.94 billion allocation for UHC workers be incorporated into the equitable share base for county governments going forward. That, although the ideal distribution would be based on the UHC payroll data held by the Ministry of Health, the amount should, in the interim, be shared among all 47 counties as part of the equitable share.
- e) The CRA also raised concern that the continued increase in conditional grants to county governments undermines their fiscal autonomy and limits their ability to allocate resources in line with locally determined priorities. Rather than giving more conditional grants to county governments, the national government should consider increasing the county equitable share.
- f) Additionally, the Commission observed that the Bill treats statutory allocations such as the National Government Constituencies Development Fund (NG-CDF) and the Affirmative Action Fund as deductions prior to determining shareable revenue. They emphasized that these funds are not provided for under Article 203 of the Constitution as pre-share deductions and should instead be financed from the national government's equitable share of revenue.

- g) On the Equalisation Fund, the CRA submitted that the assumption that arrears will be financed from the national government's share of revenue is inconsistent with Article 204(1) of the Constitution, which provides for annual allocation of 0.5% of nationally collected revenue based on the most recent audited accounts.
- h) Consequently, the Commission emphasized that payment of Equalisation Fund arrears should not be used as a justification for reducing allocations to county governments, and that such obligations should be addressed without undermining equitable revenue sharing.

2.1 Submissions by the National Treasury and Economic Planning

19. The National Treasury submitted the following-

- a) The projected total sharable revenue for FY 2026/27 amounts to Ksh.2,901.87 billion, which is consistent with the projections contained in the 2026 Budget Policy Statement. The National Treasury confirmed that the figure adopted in the Division of Revenue Bill, 2026 (National Assembly Bill No. 2 of 2026) aligns fully with its own projections of ordinary revenue.
- b) The Bill allocates Ksh.420.00 billion to the County Equitable Share of Revenue, which is consistent with the National Treasury legislative proposal. This allocation represents 20.49% of the most recent audited and approved revenues for FY 2022/23 amounting to Ksh.2,050.11 billion, thereby exceeding the constitutional minimum threshold of 15% under Article 203(2). Consequently, the Treasury expressed concurrence with the proposed county allocation.
- c) The National Treasury justified the proposed Ksh.420.00 billion allocations to counties by noting that it is derived from the projected sharable revenue of Ksh.2,901.9 billion for FY 2026/27 and is guided by constitutional requirements, fiscal realities, and sustainability considerations.
- d) In particular, the National Treasury emphasized that the allocation complies with Articles 203(2) and (3) of the Constitution, as it translates to 20.49% of the latest audited revenues, thus remaining well above the constitutional floor.
- e) The National Treasury also highlighted concerns regarding revenue performance, noting that although ordinary revenue is projected to increase from Ksh.2,639.7 billion in FY 2025/26 to Ksh.2,901.9 billion in FY 2026/27,

historical trends indicate persistent underperformance. They cited a shortfall of Ksh.122.2 billion in the first half of FY 2025/26, which could result in a cumulative deficit of approximately Ksh.244.4 billion by the end of the financial year if trends persist.

- f) That, despite revenue shortfalls, county governments have consistently received their full equitable share allocations, with any delays in disbursement being settled in subsequent financial years. They noted that the burden of revenue shortfalls has largely been absorbed by the National Government Ministries, Departments, and Agencies through budget cuts.
- g) The National Treasury further submitted that significant fiscal pressure arises from the need to finance mandatory expenditures under Article 203(1) of the Constitution, including public debt obligations, pensions, constitutional commissions, and other statutory requirements. They noted that after accounting for these obligations, limited resources remain for critical national functions such as education, health, infrastructure, and security, thereby necessitating additional borrowing.
- h) The National Treasury also stated that the Government is implementing a fiscal consolidation plan aimed at reducing the fiscal deficit from 5.9% of GDP in FY 2024/25 to 5.3% in FY 2026/27, and further to 3.2% over the medium term. They cautioned that increasing the county equitable share beyond Ksh. 420.00 billion would disrupt the fiscal framework and undermine ongoing consolidation efforts.
- i) With regard to the Equalisation Fund, the National Treasury noted that while they had initially proposed Ksh. 9.60 billion based on FY 2021/22 revenues, the Bill revised this to Ksh. 10.25 billion, reflecting 0.5% of the most recent audited and approved revenues of FY 2022/23. The National Treasury concurs with the revision as being constitutionally compliant.
- j) However, they pointed out that the increase of Ksh.648.40 million in the Equalisation Fund allocation occasioned by the use of the most recent audited and approved revenues being those of FY 2022/23 has negatively affected equitable share available to the National Government allocation.

- k) The National Treasury noted that the fiscal framework for FY 2026/27 has a total funding provision of Ksh.15.16 billion for the Equalisation Fund. That after allocating Ksh. 10.25 billion to meet the mandatory 0.5% entitlement for FY 2026/27, the remaining balance of Ksh. 4.91 billion be directed towards the Fund's arrears, marking a reduction from the Ksh. 5.56 billion included in the DORB, 2026.
- l) The National Treasury further submitted that the National Government's equitable share of revenue now stands at Ksh. 2,471.62 billion in the Bill, reflecting a reduction of Ksh. 648.40 million from the earlier proposal. They expressed concurrence with this adjustment, noting that it accommodates the revised Equalisation Fund allocation based on updated audited revenues of FY 2022/23.

2.3 Submissions by the Council of Governors (CoG)

20. The Council of Governors appeared before the Committee and submitted the following-

General Comments

- a) The CoG took note of the Senate's recommendation in the 2026 Budget Policy Statement of Ksh.454.74 billion as the equitable share to counties for FY 2026/27. While acknowledging the growth in the proposed allocation, the Council submitted that the amount is inadequate to meet county budgetary requirements and is lower than the Ksh.465 billion recommended in the 2025 BPS. Consequently, the Council urged the Senate to review the proposal upward, taking into account additional cost items.
- b) That the Bill, as read together with its Explanatory Memorandum, reflects a continued reduction of sharable revenue by the National Government through the exclusion of expenditure items that solely relate to national functions. They cited "Other National Obligations," including funds such as NG-CDF and the Affirmative Action Fund, as improperly reducing the revenue base contrary to Article 203(1) of the Constitution. They urged the Senate to ensure that such

statutory allocations are deducted from the National Government's share and not from sharable revenue.

- c) The CoG also raised concern over what they termed as arbitrary determination of the counties' equitable share by the National Treasury and the National Assembly, noting that unlike the National Government's share, which is itemized, the county allocation lacks clear supporting data and cost breakdowns. The Council recommended that the Senate should ensure the counties' equitable share is supported by detailed costing and justification before inclusion in the Bill.
- d) Additionally, the Council observed that the National Government continues to establish numerous funds through statute, often without Senate concurrence, including those touching on devolved functions. They noted that such funds are subsequently categorized as national obligations and financed from ordinary revenue, thereby reducing the pool of sharable revenue. The Council urged the Senate to scrutinize existing funds and curb the proliferation of new ones.
- e) On the proposed transition of Universal Health Coverage (UHC) workers, the Council acknowledged the National Treasury's plan to transfer Ksh.8.9 billion to counties as a conditional grant in FY 2026/27. However, the Council opposed this approach and recommended that the funds be allocated through the Division of Revenue Act to ensure sustainability, predictability, and continuity, justifying that the Division of Revenue Act provides a more stable legal framework for recurrent allocations.

Specific Comments

- f) The CoG proposed that the Schedule be amended to allocate Ksh. 2,356,665,189,804 to the National Government and Ksh.534,958,994,635 to County Governments. The proposed county allocation of Ksh.534.96 billion comprises Ksh.35 billion for revenue growth adjustment, Ksh.8,937,615,000 for the transition of Universal Health Coverage (UHC) workers, Ksh.10,055,542,879 for implementation of the outstanding 3rd and 4th

remuneration and benefits review cycles, and Ksh.65,965,836,756 for transfer of funds linked to the first phase of delineated and gazetted devolved functions.

- g) The CoG justified the proposed Ksh.35 billion allocation for revenue growth by noting that Kenya's economy is projected to grow by 5.3% and remain stable in 2026 and 2027, with an absolute revenue growth of Ksh. 262.2 billion. They argued that allocating Ksh. 35 billion to counties is equitable, given that the National Government is projected to receive an increment of Ksh. 217.6 billion.
- h) On the transition of UHC workers, they submitted that the workers' contracts will lapse between April and September 2026, and that the Ministry of Health, in consultation with the CoG, agreed to transition them to county governments on permanent and pensionable terms in FY 2026/27. They emphasized that the required Ksh. 8.94 billion has been confirmed by the Ministry and should be transferred through the Division of Revenue framework to ensure sustainability.
- i) Regarding remuneration, CoG noted that county governments are in arrears in implementing the 3rd and 4th Remuneration and Benefits Review Cycles, as confirmed by the Salaries and Remuneration Commission. They submitted that Ksh. 4.77 billion is required for the final phase of the 3rd Cycle and Ksh. 5.28 billion for the first phase of the 4th Cycle, totaling Ksh. 10.055 billion, and stated that failure to address this has already triggered industrial unrest among county public officers.
- j) Finally, the Council highlighted that Ksh. 65.97 billion has been identified as available for transfer to counties from National Government Ministries, Departments, and Agencies as part of the first phase of unbundled and delineated devolved functions, and argued that these resources should accompany the functions to ensure effective service delivery at the county level.

2.4 Joint submission by the Institute of Certified Public Accountants of Kenya (ICPAK) and Bajeti Hub

21. ICPAK and Bajeti Hub submitted the following;

- a) The Senate should consider an increase in the County Equitable Share of approximately Ksh.48 billion (11.6%) for FY 2026/27, consistent with the

projected 13% growth in ordinary revenue. While the national government's allocation grows by 13%, county governments receive only a 1% increase from Ksh.415 billion to Kshd.420 billion a disparity that is neither equitable nor defensible.

- b) Further, that the Senate should question the Division of Revenue framework, especially on Equitable Sharing and define the boundary between funds for national strategic interventions and funds for devolved functions.
- c) There is need for the Senate to establish a formal costing framework for every devolved function, with priority given to key sectors such as health, agriculture, and education, in order to provide clarity on the cost of service delivery based on functional assignments; further, that where such costing is complete, funds and requisite resources be fully transferred, particularly for salary obligations such as Universal Health Coverage (UHC) workers requiring Ksh.8.94 billion for transition to permanent and pensionable terms, and that transfer of functions should be accompanied by all attendant resources, including administrative and operational costs, rather than relying solely on historical allocation figures.
- d) That there is need for the Senate to commission a harmonized revenue forecasting framework incorporating AI and machine learning tools to identify systemic disconnects across existing models and enhance the predictability and accuracy of revenue projections; additionally, there should be cross-institutional reconciliation of forecasts among the National Treasury, KIPPRA, the Parliamentary Budget Office, and the Commission on Revenue Allocation before the Division of Revenue Bill is tabled; and further, establish automatic conditions to safeguard timely disbursement of county funds in accordance with approved schedules, even in the face of emerging issues or economic shocks.
- e) That Parliament should expedite the approval of audit reports to update the basis for division of revenue; further, the Senate should demand and enforce timely disbursement of the equitable share to counties in accordance with the approved schedule; and additionally, establish a statutory safeguard to ensure that county allocations do not fall below the 15% constitutional threshold, except under clearly defined and temporary fiscal distress conditions approved by Parliament.

- f) On the Equalisation Fund, they submitted that the Senate should expedite approval of audited financial statements and update the Equalization Fund computation base to FY 2023/24 audited revenues; further, that ensure all disbursement arrears amounting to Ksh. 2.8 billion are cleared before the end of FY 2025/26 and require the National Treasury to provide a detailed payment plan for unremitted funds to enhance accountability and tracking of disbursements.
- g) Additionally, that the Senate should support the Commission on Revenue Allocation in developing and gazetting the 3rd Marginalization Policy to reflect current regional disparities, review project evaluation metrics to align with county-specific priorities rather than uniform national indices, and follow up with the National Treasury to implement robust monitoring mechanisms to ensure that funds allocated to marginalized areas are utilized for their intended purposes.
- h) That the Senate should mandate the creation of County Emergency Funds in all 47 counties with a minimum statutory allocation set as a percentage of each county's equitable share and increase the national emergency allocation beyond the current Ksh. 2 billion to support both reactive mitigation and proactive preventive measures, develop pre-set trigger mechanisms for accessing emergency funds to reduce reliance on supplementary budgets and political processes, and explore catastrophe bonds and risk transfer instruments for extreme climate events, drawing lessons from the FONDEN experience.
- i) That every transfer to counties should be tied to a specific, unbundled function with corresponding service delivery benchmarks; further, inflation adjustors should be incorporated into the equitable share formula to protect the real value of county allocations as the economy grows, and a performance and accountability reporting framework should be established to measure visible social and economic impact on citizens rather than solely financial compliance; additionally, county disbursements should be protected from interruptions due to national fiscal pressures through a statutory minimum disbursement schedule enforceable by the Controller of Budget.

- j) That in order to address the growing revenue collection through Appropriations in Aid and need for quality service delivery responsibilities, the Senate should;
- i) Strengthen transparency and reporting of AIA collections by requiring National Treasury to publish quarterly, disaggregated AIA outturns alongside ordinary revenue, enabling oversight institutions and counties to track performance against projections.
 - ii) Empower CRA to issue binding advisory opinions on AIA treatment, clarifying whether specific AIA streams are functionally national or devolved and therefore eligible for inclusion in the sharable pool.
 - iii) Align AIA policy with affordability and equity considerations by subjecting new or expanded fees and charges to distributive impact assessments before approval in the budget process.
 - iv) Monitor trends in Appropriations-In-Aid (AIA) collection post-merger of state corporations to ensure they maintain financial autonomy and operational stability.
 - v) Protect county fiscal space by ring-fencing AIA from devolved services and aligning it with county service delivery responsibilities.

2.5 Submissions by the County Assembly Forum (CAF)

22. CAF submitted the following;

- a) The County Assemblies Forum proposed an equitable share of Ksh.470 billion to County Governments for the Financial Year 2025/26, citing realistic assessment of current county-level obligations, inflationary pressures, the need to support new devolved functions, and the necessity of safeguarding the constitutional principles of devolution and equity.
- b) CAF highlighted that county governments have pending obligations in implementing the 3rd and 4th remuneration review cycles for county public officers. The final phase of the 3rd cycle requires Ksh.4.77 billion, while the initial phase of the 4th cycle requires Ksh.5.28 billion. These obligations have

already been fully implemented at the national level, creating an inequity that CAF seeks to address through the enhanced allocation.

- c) CAF emphasized that Article 203(1)(d) of the Constitution requires revenue allocation to take into account the fiscal capacity and efficiency of county governments, while Article 203(2) mandates a minimum of 15% of the latest audited and approved national revenue to be allocated to counties. The proposed Ksh.470 billion represents approximately 22.9% of the last approved revenue for FY 2022/23, thereby aligning with both the spirit and letter of Article 203 by ensuring counties are predictably and adequately resourced.
- d) CAF noted that counties continue to grapple with significant pending bills owed to contractors, suppliers, and service providers. According to the half-year report by the Controller of Budget for FY 2025/26, County Governments had accumulated trade payables of Ksh.163.74 billion as of December 31, 2025. These arrears constrain county economies, stall development projects, and erode business confidence. CAF argued that an enhanced allocation of at least Ksh.470 billion would enable counties to clear outstanding obligations and restore fiscal credibility.
- e) CAF recommended adopting Ksh. 470 billion as the minimum equitable share benchmark, representing 22.9% of the last audited revenue, which is well above the constitutional minimum of 15% and provides a realistic, legally sound basis for financing devolved functions.
- f) Further, that part of the enhanced allocation be specifically earmarked to clear the Ksh.163.74 billion pending bills. A structured approach to settling these arrears would inject liquidity into local economies, restore supplier confidence, and unlock stalled development projects, creating a multiplier effect that strengthens both county fiscal credibility and broader economic activity.

2.6 Submissions by the Institute of Social Accountability (TISA)

23. TISA submitted the following;

- a) The Institute of Social Accountability recommended that the County Equitable Share incremental increase be anchored as a floor, not a ceiling, and that a binding multi-year escalation roadmap be published in the accompanying Budget Policy Statement (BPS).
- b) TISA recommended that the Affirmative Action Allocation of Ksh. 4.46 billion for the twelve smallest counties be retained and strengthened, and that the CRA be mandated to publish a post-allocation equity impact report within 90 days of disbursement to validate that the formula achieves its redistributive intent.
- c) TISA highlighted that the Bill underfunds counties by KSh.38.9 billion compared to the CRA's recommendation and recommended that Parliament negotiate a minimum of KSh.440 billion as a compromise, with a statutory medium-term commitment to reach the CRA figure, while invoking Article 217 to formally record its position on the deviation and ensuring compliance with Article 218(2)(c) and section 191(5)(c) of the PFM Act, 2012.
- d) They recommended that automatic disbursement of UHC funds be established upon submission of verified county payroll data, removing additional approval gates at the Treasury, and that Parliament should sunset the conditionality, noting that conditional allocations threaten continuity of healthcare and expose the State to constitutional liability under Article 187 and Article 43(1)(a).
- e) TISA submitted that even after all constitutionally mandated allocations, the National Government faces a KSh.108.2 billion gap to finance its own development priorities and salary obligations, noting that Consolidated Fund Services now consumes 48.5% of ordinary revenue, up from 16.4% in FY 2013/14, which structurally crowds out both national and devolved services. They recommended that the National Treasury table a five-year Consolidated Fund Services reduction plan within 90 days of the Bill's assent and that Parliament enforce the statutory debt ceiling of 55% of GDP, emphasizing that this aligns with Section 15(2)(a) of the PFM Act and Article 201(d) on the prudent and responsible use of public resources.
- f) TISA submitted that the Equalization Fund has KSh.5.56 billion in arrears and recommended introducing a provision to fully settle it in FY 2026/27 via a ring-

fenced sub-account with quarterly Senate reports, highlighting that persistent arrears breach Article 204.

- g) TISA submitted that the Bill's revenue projections are overly optimistic, risking delayed county transfers, stalled development, and rising pending bills, and recommended amending Section 194 of the PFM Act to establish an automatic county transfer floor to ensure timely disbursements, in line with Article 202(1) and the equitable sharing principle under Article 174(d).

2.7 Submissions by the Institute of Public Finance (IPF)

24. IPF submitted the following;

- a) That since the lag in the approval of audited revenue accounts by Parliament would take time to address, there is a need for Parliament to maintain county allocations at 17% as was in FY2024/25. Using projected ordinary revenue of Ksh 2.9 trillion would give counties Ksh. 493 billion for the counties to meet the pressure of providing critical services and clearing pending bills.
- b) IPF recommended that Parliament should revise the county's equitable share upward and anchor it to evidence-based revenue projections rather than aspirational targets, particularly given that FY 2025/26 revenues were already Ksh 115.3 billion below target. The costing of devolved functions must be updated to reflect actual service delivery costs, and Own Source Revenue must be treated as a complement to and not a substitute for an adequately funded equitable share.
- c) That the Ksh 8.9 billion earmarked for UHC workers' remuneration should be incorporated into the county's equitable share as an unconditional transfer, consistent with the constitutional requirement under Article 187 and the principle of county fiscal autonomy. To ensure UHC is adequately funded, Senate and County Assembly oversight mechanisms should be strengthened to hold county governments accountable for the prioritization of health worker remuneration in their budgets.

- d) IPF recommended that the National Government should address its financing gap through structural reforms targeted at national expenditure drivers, including foreign and domestic travel, a credible medium-term debt management strategy, rationalization of Consolidated Fund Services, and a rigorous review of interest payment obligations. Parliament should require the National Treasury to table a time-bound fiscal consolidation roadmap that demonstrates how CFS will be reduced from its current unsustainable level of 48.5 percent of ordinary revenue, without recourse to compressing county allocations.
- e) That Parliament should review clause 5 of the Bill to ensure equitable share disbursements remain timely and predictable regardless of national revenue performance, with particular attention to insulating county allocations from the effects of revenue shortfalls.

2.8 Submissions by the Institute of Economic Affairs (IEA Kenya)

25. IEA Kenya submitted the following;

- a) IEA Kenya submitted that, to ensure parity and safeguard the delivery of devolved services, the allocation to the County Government Equitable Share should be set at a minimum of Ksh.443 billion.
- b) That Parliament should exercise oversight over public debt management, including reviewing the Medium-Term Debt Strategy, to safeguard debt sustainability and protect the equitable share of revenue allocated to county governments from being eroded by high debt-servicing costs.
- c) The National Assembly should expedite the review and approval process of the OAG reports, noting that delays force the National Treasury to rely on outdated audited revenue figures when assessing compliance with Article 203(2) and (3), which can exaggerate the county equitable share relative to the 15% threshold, mislead the public, and undermine accountability.
- d) That given the disproportionate impact of debt servicing on counties, the county governments through the Council of Governors (COG) and the Senate should be involved in debt acquisition and allocation decisions.

2.9 Submissions by Mr. Nahashon Kamau

26. Mr. Nahashon Kamau submitted the following;

- a) The allocation to County Governments should prioritize development projects in marginalized sub-counties to bridge infrastructure gaps.
- b) A detailed transparency framework must be established for tracking revenue distribution and utilization, including regular audits and public reports.
- c) The Equalization Fund allocation needs a formula-based approach ensuring funds reach the most disadvantaged communities, focusing on health and education services.
- d) Mr. Nahashon recommended legislative oversight mechanisms to prevent misallocation and ensure accountability at both national and county levels.

CHAPTER THREE

OBSERVATIONS AND RECOMMENDATIONS

3.1 Observations

27. The Committee, having considered the Bill and submissions from stakeholders, made the following observations. That-

- a) The county equitable share is proposed to grow by Ksh.5 billion from a baseline of Ksh.415 billion in FY 2025/26; a marginal increase of 1.2 percent. This is insufficient to address growing expenditure needs at the county level. This increase does not adequately cater for mandatory obligations such as annual salary adjustments of county government workers as well as intergovernmental counterpart funding obligations.
- b) The Bill cites persistent revenue underperformance as a key factor in limiting resource allocation to counties. However, the Committee observed that the National Treasury has continued to rely on overly optimistic revenue projections to prepare its budget, which ultimately results in revenue underperformance. Noting the declining share of revenue allocated to counties as a percentage of ordinary revenue, the Committee observed that the fiscal pressures arising from revenue underperformance gravely affects county budget implementation due to delayed disbursements. Indeed, despite commitments to fiscal consolidation, national government expenditure continues to expand even in the face of indicated revenue shortfalls.
- c) While the Bill indicates that the national government solely absorbs revenue shortfalls, the Committee observed that delayed disbursement to counties leads to cash flow constraints. For instance, in the first half of FY 2025/26, due to revenue underperformance by Ksh.110.6 billion, transfers to county governments were below target by Ksh.50.4 billion. Over the years, there have been persistent deviations from approved cash disbursement schedules, and in some years, equitable share allocations have been carried forward into the subsequent financial year.
- d) A clause in previous similar Bills, which insulated counties from arbitrary cuts due to revenue shortfalls, is missing in the current Bill. This clause is critical as

it gives effect to Article 219 of the Constitution which stipulates that county allocations should be transferred without undue delay and without deduction. The removal of this clause introduces uncertainty on how such shortfalls will be managed going forward.

- e) The Bill justifies limited allocations to counties on the basis of increasing non-discretionary expenditures, especially public debt servicing. However, the Committee observed that public debt is largely a consequence of national government fiscal decisions, over which counties have limited control. As such, using debt servicing obligations to justify constrained county allocations effectively transfers the burden of national fiscal policy choices to counties.
- f) It is argued in the Bill that after setting aside Ksh.2,571.8 billion to address national interest, public debt related costs and other national obligations, the balance left of Ksh. 330.1 billion is inadequate to fund the county equitable share and the country has to borrow. However, the Committee observed that county equitable share is not a transfer of what remains after national government obligations are funded, but rather a mandatory allocation determined by a clear criteria set by the Constitution. National interest should be understood to include equitable development, effective service delivery and fiscal fairness across all regions. As such, funding counties is a core national interest expenditure which public debt and national programmes do not automatically override, and it should not be treated as a residual figure after all other needs are met.
- g) The Commission on Revenue Allocation (CRA) and the Council of Governors (CoG) proposed that the Ksh.8.94 billion for transfer of UHC workers payroll to counties be included in the equitable share for FY 2026/27 as opposed to the County Government's Additional Allocations Bill (CGAAB). The Committee observed that the allocation in DoRB must be subjected to the 4th Basis for sharing revenue among counties. Consequently, the Ksh.8.94 billion would not be shared among counties based on the UHC payroll. This move would disadvantage a number of counties.
- h) The Bill indicates that the additional Ksh.5 billion to counties is the outcome of an adjustment for revenue growth from the FY 2025/26 baseline. However, the

methodology used to determine this adjustment is not clearly explained. Indeed, taking into account the arguments in the Bill concerning national interest, the Committee observed that this is a residual figure after allocations to national expenditure needs.

- i) Article 203(1) of the Constitution requires that revenue sharing takes into account the ability of counties to perform their functions, as well as their development needs, fiscal capacity and existing disparities. Though the Bill highlights these provisions, the allocation to counties does not adequately reflect consideration of this constitutional requirement.
- j) County governments are in arrears in implementing the 3rd and 4th Remuneration and Benefits Review Cycles as recommended by the Salaries and Remuneration Commission, with Ksh.4.77 billion required for the final phase of the 3rd Cycle and Ksh.5.28 billion for the first phase of the 4th Cycle, totaling Ksh.10.055 billion.
- k) The County Equitable share should be adjusted to cater for inflation which is estimated at 5%, implementation of SRC 3rd and 4th review cycle of salary/remuneration for county state and public officers, and other non-discretionary expenditures.

3.2 Recommendations

28. Having considered the Bill and submissions from the stakeholders, the Committee recommends that the Senate approves the Bill with the following amendments-

a) Insertion of a new clause 5 to provide that-

5. (1) If the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government.

(2) If the actual revenue raised nationally in the financial year exceeds the projected revenues set out in the Schedule, the excess revenue shall accrue to the national government, and may be used to reduce borrowing or pay debts.

b) The Schedule to the Bill be amended to reflect the following-

- i) The total sharable Revenue Ksh.2,901,874,758,144;
- ii) National Government share – Ksh.2,436,881,026,560;
- iii) County government share – Ksh.454,743,157,879;
- iv) The Equalisation Fund - Ksh.10,250,573,705.

Appendices

- a) Committee stage Amendments
- b) Minutes of the Committee
- c) Submissions from stakeholders
- d) Public Advert

Annex 1- Committee Stage Amendments

31st March, 2026

The Clerk of the Senate
Parliament Buildings
NAIROBI

**RE: COMMITTEE STAGE AMENDMENTS TO THE DIVISION OF REVENUE BILL,
NATIONAL ASSEMBLY BILLS NO. 2 OF 2026**

NOTICE is given that Sen. Ali Ibrahim Roba, Chairperson, Committee on Finance and Budget, intends to move the following amendment to the Division of Revenue Bill, National Assembly Bills No. 2 of 2026, at the Committee Stage-

NEW CLAUSE

THAT the Bill be amended by inserting the following new clause immediately after clause 4—

Variation in
revenue.

5. (1) If the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government.

(2) If the actual revenue raised nationally in the financial year exceeds the projected revenues set out in the Schedule, the excess revenue shall accrue to the national government, and may be used to reduce borrowing or pay debts.

SCHEDULE

THAT the Bill be amended by deleting the Schedule and substituting therefor the following new Schedule—

SCHEDULE (s.4)

**ALLOCATION OF REVENUE RAISED NATIONALLY BETWEEN THE NATIONAL GOVERNMENT
AND COUNTY GOVERNMENTS FOR THE FINANCIAL YEAR 2026/27.**

Type/level of allocation	Amount in Ksh.	Percentage (%) of FY 2022/23 audited and approved Revenue i.e. Ksh. 2,050,114,740,913
A. Total Sharable Revenue	2,901,874,758,144	
B. National Government	2,436,881,026,561	
C. Equalization Fund	10,250,573,705	0.50%
D. County equitable share	454,743,157,879	22.2%

Dated.....31st March.....2026.


Ali Ibrahim Roba,

Chairperson, Committee on Finance and Budget.

Annex 2-

Minutes of the

Committee



MINUTES OF THE TWO HUNDRED AND SIXTIETH (260TH) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON THURSDAY, 19TH MARCH, 2026 IN COUNTY HALL, GROUND FLOOR BOARDROOM AT 9:00 A.M.

PRESENT

- | | | |
|--|---|------------------|
| 1. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 2. Sen. Boni Khalwale, CBS, MP | - | Member |
| 3. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 4. Sen. Richard Momoima Onyonka, MP | - | Member |
| 5. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|---|---|-------------|
| 6. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 7. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 8. Sen. Eddy Gicheru Oketch, MP | - | Member |
| 9. Sen. Mariam Sheikh Omar, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Millicent Makina | - | Fiscal Analyst |
| 5. Mr. Constant Wamayuyi | - | Research Officer |
| 6. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 7. Mr. Solomon Alubala | - | Fiscal Analyst |
| 8. Mr. Stanley Gikore | - | Media Relations Officer |
| 9. Ms. Rose Ometere | - | Audio Officer |
| 10. Ms. Anna Moraa | - | Pupil |
| 11. Ms. Momanyi Yvonne | - | Intern |
| 12. Mr. David Kioko | - | Intern |
| 13. Ms. Jamila Said | - | Attachce |

MIN/SEN/SCF&B/1512/2026

PRELIMINARIES

The Vice-Chairperson called the meeting to order at 9.29 am. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1513/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed Sen. Boni Khalwale, CBS, MP, and seconded by Sen. Richard Momoima Onyonka, MP, as listed-

1. Prayer;
2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 257th and 259th Sittings;
5. Matters arising from the minutes of the previous Sittings;
6. Consideration of the Division of Revenue Bill, 2026 (National Assembly Bills No.2 of 2026)-*Committee Paper No.169*;
7. Consideration of information submitted by the National Treasury regarding the report on all new loans contracted by the Government of Kenya from 1st January to 31st August, 2025-*Committee Paper No.165B*;
8. Consideration of Report of the Controller of Budget on the County Governments Budget Implementation Review for the first three months of Financial Year 2025/2026-*Committee Paper No.167*;
9. Any other Business; and
10. Adjournment and Date of the Next Meeting.

MIN/SEC/SCF&B/1514/2026

CONFIRMATION OF MINUTES OF THE PREVIOUS SITTINGS

- a) The Minutes of the Two Hundred and Fifty-Seventh (257th) meeting held on Thursday, 5th March, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Richard Momoima Onyonka, MP.
- b) The Minutes of the Two Hundred and Fifty-Ninth (259th) meeting held on Tuesday, 17th March, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Boni Khalwale, CBS, MP.

MIN/SEC/SCF&B/1515/2026

MATTERS ARISING FROM MINUTES OF PREVIOUS SITTING

257th Sitting

Ex. Minute MIN/SEC/SCF&B/11495/2026- County visits in Coastal region to inspect FLLoCA Projects

The Committee observed that Mombasa County was yet to receive the investment funds, consequently, inspection visits will be conducted in Kwale and Kilifi on 27th and 28th respectively.

The following Senators Confirmed attendance-

1. Sen. Maureen Tabitha Mutinda, CBS, MP - Vice-Chairperson

- | | | |
|--|---|--------|
| 2. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 3. Sen. Richard Momoina Onyonka, MP | - | Member |
| 4. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

MIN/SEC/SCF&B/1516/2026

CONSIDERATION OF THE DIVISION OF
REVENUE BILL, 2026 (NATIONAL
ASSEMBLY BILLS NO. 2 OF 2026)-
COMMITTEE PAPER NO.169

The meeting considered the paper on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) and noted that-

- a) the Bill was published on 19th February 2026 and read a First Time in the National Assembly on 24th February 2026 and approved with amendments on 10th March 2026.
- b) the Bill provides for the sharing of revenue raised nationally between the national government and county governments for Financial Year 2026/27 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution.
- c) the Bill also provides for allocation to the Equalisation Fund in accordance with the provisions of Article 204(1) of the Constitution.
- d) the total shareable revenue for FY 2026/27 is estimated at Ksh.2,901,874,758,144 and is proposed to be allocated as follows-
 - i. National Government- Ksh. 2,471,624,184,439
 - ii. County Equitable share-Ksh.420,000,000,000
 - iii. Equalization Fund-Ksh. 10,250,573,705
- e) the National Assembly recently approved the FY 2022/23 audited revenue accounts, amounting to Ksh.2,050,114,740,913, subsequently moving the base for revenue sharing year to FY 2022/23.
- f) the county governments' equitable share is 20.5% of the most recent audited revenue accounts as approved by the National Assembly, as per Article 203(3) of the Constitution.
- g) the county equitable share was proposed to increase by Ksh. 5 billion (1.2%) from a base of Ksh. 415 billion in FY 2025/26.
- h) there is an additional allocation of Ksh.5,561,000,000 as partial payment of arrears to the Equalization Fund contained in the approved Budget Policy Statement, 2026. Thus, the total allocation for the Equalization Fund for the FY 2026/27 is Ksh. 15,811,573,705.
- i) The proposed county equitable share allocation of Ksh. 420 billion is informed by the following factors-
 - i. Revenue underperformance: As at end of December 2025, ordinary revenues for FY 2025/26 recorded a shortfall of Ksh. 110.6 billion from the target.
 - ii. Macroeconomic assumptions outlined in the BPS, 2026: anticipated growth rates, inflation and other economic performance indicators influence the resources available for allocation.
 - iii. Increasing non-discretionary expenditure: Consolidated Fund Services (CFS) accounts for 48.5% of ordinary revenue in FY 2025/26, up from 16.4% in FY

2013/14. Pensions and interest payments tripled their share of revenues to 8.7% and 39.8% from FY 2013/14 to FY 2025/26.

- iv. Fiscal consolidation plan: the national government spending plan aims at reducing the fiscal deficit inclusive of grants from 5.9% of GDP in FY 2024/25 to 5.3% of GDP in FY 2026/27.

Deviations from the recommendations of the Commission on Revenue Allocation (CRA) and the proposed equitable share

- j) CRA recommended county equitable share amounting to Ksh. 458.9 billion, Ksh. 38.9 billion more than the National Treasury proposal of Ksh. 420 billion.
- k) Adjustment for revenue growth from the baseline: While the National Treasury projects that the shareable revenue for FY 2026/27 will amount to Ksh.2,901.9 billion, CRA has a revenue projection amounting to Ksh.2,982.8 billion, a difference of Ksh.80.9 billion.
- l) Remuneration of Universal Healthcare (UHC) Workers: CRA had proposed that an allocation of Ksh. 8.94 billion be included in equitable share in FY 2026/27 to fully transition Universal Health Coverage (UHC) workers to permanent and pensionable staff. However, the National Treasury proposes that these resources be allocated as a conditional allocation to county governments through the County Governments' Additional Allocations Bill, 2026.

The Committee observed the following-

- a) Despite persistent revenue underperformance, expenditure adjustments have not been proportionately undertaken. For instance, the supplementary estimates No.1 of FY 2025/26 seeks to increase gross ministerial expenditure by Ksh. 287.4 billion (11.3%).
- b) The declining trend in revenue allocation to counties as a share of overall revenue realised for instance, it has declined from 20.8% in FY 2021/22 to a proposed 14.5% in FY 2026/27 even as the national government's share of revenue has increased to over 85%. This suggests that fiscal pressures arising from revenue underperformance are being disproportionately absorbed through reduced allocations to counties.
- c) Clause 5 of the Bill, which previously protected counties from arbitrary cuts due to revenue shortfalls and gave effect to Article 219 of the Constitution (county allocations be transferred without undue delay and without deduction) is not in the Bill. This introduces uncertainty on how such shortfalls will be managed going forward.
- d) The National Treasury justifies limited allocations to counties on the basis of increasing non-discretionary expenditures, especially public debt servicing. However, public debt is largely a consequence of national government fiscal decisions, over which counties have limited control.
- e) Despite commitments to fiscal consolidation, national expenditure continues to expand through supplementary budgets even in the face of revenue shortfalls. This raises concerns about the credibility and consistency of the fiscal consolidation path and suggests that expenditure adjustment measures are not being applied equitably across the two levels of government.

- f) The additional allocation to equitable share of Ksh. 5 billion over the FY 2025/26 baseline of Ksh. 415 billion represents only a marginal increase of 1.2% which is insufficient to address growing expenditure needs at the county level.
- g) During consideration and approval of the BPS, 2026, the Senate resolved that the allocation of Ksh. 8.94 billion for UHC workers be included in the equitable share in line with the CRA and CoG proposal. However, monies allocated to counties in the division of revenue are strictly shared through the formula as provided in Article 217(1) of the Constitution. The inclusion of these funds in the county equitable share will result to sharing equitably as opposed to using the number of UHC workers per county.

Following deliberations, the meeting resolved to-

- a) Hold a meeting with CRA and COG on Tuesday, 24th March, 2026 to deliberate on the Bill. Furthermore, the CoG's Chairperson must appear in person accompanied by majority of Governors.
- b) Hold a meeting with the National Treasury and Economic Planning on Thursday, 26th March, 2026 to deliberate on the Bill.
- c) When the Cabinet Secretary for National Treasury and Economic Planning will appear before the Committee to submit views on the Division of Revenue, 2026, he should also provide clarification on issues which were raised regarding the report on 2nd quarter of FY 2025/26 on implementation of the Equalisation Fund, which was discussed at the meeting on 17th March, 2026.

MIN/SEC/SCF&B/1517/2026

**CONSIDERATION OF INFORMATION SUBMITTED
BY THE NATIONAL TREASURY REGARDING THE
REPORT ON ALL NEW LOANS CONTRACTED BY
THE GOVERNMENT OF KENYA FROM 1ST
JANUARY TO 31ST AUGUST 2025-COMMITTEE
PAPER NO.165B**

The meeting considered the Committee paper and resolved that the Cabinet Secretary, National Treasury should, when he appears before the Committee on Thursday, 26th March, 2026, respond to the following issues of concern raised regarding the submission -

- a) What are the cost implications of loans contracted and are yet to be fully disbursed?
- b) Some loans are meant for funding devolved functions, and the report provides the number of counties in which the projects are to be implemented. However, the names of the specific counties have not been provided.
- c) The benchmark interest rate for the National Urban Water and Sanitation Program loan by African Development Bank (AfDB) was not provided.
- d) The maturity period for the Economic Inclusion and Green Recovery Support Programme loan by OPEC Fund was not provided.
- e) Regarding securitization of public funds-

- i. how securitization obligations are disclosed and treated within the fiscal framework, including whether and how they are recognized as contingent liabilities, and how this treatment aligns with the provisions of the Public Finance Management Act and best international practices, including those of the IMF and World Bank;
 - ii. the expected collectible revenue backing each of the securitized funds;
 - iii. the impact of securitization arrangements on fiscal space and the broader fiscal framework over the duration of the associated financing;
 - iv. the expected proceeds, tenure, and repayment structure for each of the funds planned to be securitized; and
 - v. the legal and governance framework supporting securitization of the funds.
- f) Additionally, the National Treasury should provide information on-
- i. a report on debt service and redemption profile for public debt from FY 2021/22 to 2025/26, disintegrated into interest and principal repayments; and
 - ii. measures and controls put in place to ensure efficient and timely utilization of borrowed funds in order to generate adequate economic or developmental returns necessary to support debt sustainability and repayment obligations.

MIN/SEC/SCF&B/1518/2026

CONSIDERATION OF REPORT OF THE
CONTROLLER OF BUDGET ON THE COUNTY
GOVERNMENTS BUDGET IMPLEMENTATION
REVIEW FOR THE FIRST HALF OF FINANCIAL
YEAR 2025/2026-COMMITTEE PAPER NO.167

The Committee considered the Paper and noted that following cross cutting issues arising from the analysis of county governments' budget implementation review report for First Half of FY 2025/26-

- a) The delayed disbursement of the counties' equitable share has disrupted cash flows, creating significant unpredictability in budget implementation. As of 30th January 2026, cumulative disbursements to counties stood at Ksh.205.43 billion, Ksh.35.28 billion below the Ksh.240.71 billion target as per the Cash Disbursement Schedule approved by the Senate.
- b) Underperformance in Own-Source Revenue Collection: Budget execution across county governments is being hampered by underperformance of revenue. In the First Half of FY 2025/26, counties raised Ksh.26.94 billion in own-source revenue (*including Facility Improvement Financing*), achieving only 27% of their Ksh.99.73 billion annual target. With the half-year collection remaining significantly below 50%, implies a potential below target collection at the end of the financial year.
- c) During the First Half of FY 2025/26, revenue from Facilities Improvement Financing (FIF) accounted for more than 50 per cent of total local revenue in 34 counties. This depicts a trend of counties underperforming in other revenue sources and focusing on FIF as the only source of revenue.

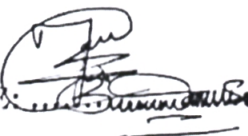
- d) High Levels of pending Bills: As of 30th December, 2025, counties reported outstanding pending bills amounting to Ksh.163.74 billion. A further analysis indicated that most of the bills (nearly half) were those aged over three years. This continued accumulation of pending bills adversely affects the delivery of public services and disrupts suppliers' businesses. Furthermore, Nairobi City County accounted for nearly half (48.9 percent) of the total pending bills at Ksh.80.0 billion.
- e) Counties were non-compliant in treating pending bills as a first charge on the County Revenue Fund as required by Regulation 41(2) of the PFM (County Governments) Act of 2012. Further, despite the preparation of pending bills action plans through the support from the Kenya Devolution Support Program II (KDSP II), most counties failed to prioritise the settlement of eligible trade payables in the first half of FY 2025/26.
- f) There was very low expenditure in development: In the first half of FY 2025/26, County Governments spent Ksh.32.49 billion on development activities, representing an absorption rate of 14.2 per cent of the annual development budget of Ksh.228.2 billion. If this trend persists in the third and fourth quarters of the financial year, most counties may not achieve the required threshold of 30 per cent.
- g) The CoB indicated that county governments continue to delay submission of reports contrary to the requirements of law. The move constrained timely submission of these reports to Parliament. 11 counties submitted their reports in February 2026. These are including-
- | | | |
|-------------|------------|----------------------|
| - Laikipia, | - Narok, | - Nairobi, |
| - Isiolo, | - Turkana, | - Tharaka-Nithi, and |
| - Kakamega, | - Bomet, | - Nandi. |
| - Mombasa, | - Nyeri, | |

The Committee resolved that the Council of Governors should address the issues of concern raised in the Report at the meeting scheduled on Thursday, 26th March, 2026, to deliberate on Division of Revenue Bill, 2026.

MIN/SEN/SCF&B/1519/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 11.51 a.m. The next meeting shall be by notice.

SIGNATURE:  DATE: 31/03/2026

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP

(CHAIRPERSON)



MINUTES OF THE TWO HUNDRED AND SIXTY-FIRST (261ST) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON TUESDAY, 24TH MARCH, 2026 IN COUNTY HALL, MINI CHAMBER, FIRST FLOOR AT 9:00 A.M.

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 5. Sen. Richard Momoima Onyonka, MP | - | Member |
| 6. Sen. Mariam Sheikh Omar, MP | - | Member |
| 7. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|---------------|
| 8. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 9. Sen. Eddy Gicheru Oketch, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|--------------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Millicent Makina | - | Fiscal Analyst |
| 5. Mr. Constant Wamayuyi | - | Research Officer |
| 6. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 7. Mr. Stanley Gikore | - | Media Relations Officer |
| 8. Ms. Angelica Wachira | - | Protocol Officer |
| 9. Ms. Rose Ometere | - | Audio Officer |
| 10. Ms. Anna Moraa | - | Pupil |
| 11. Ms. Momanyi Yvonne | - | Intern |
| 12. Mr. David Kioko | - | Intern |
| 13. Ms. Jamila Said | - | Attachee |

IN ATTENDANCE

The Commission on Revenue Allocation

- | | | |
|---------------------------------|---|--------------------|
| 1. CPA. Mary Wanyonyi Chebukati | - | Chairperson |
|---------------------------------|---|--------------------|

- | | |
|-------------------------|------------------------------|
| 2. CPM Koitamet Olekina | - Vice Chairperson |
| 3. Dr. Isabel Waiyaki | - Commissioner |
| 4. Mr. Jonas Kuko | - Commissioner |
| 5. Dr. George Midiwo | - Commissioner |
| 6. CPA. Roble Nuno | - Ag. CEO/ Secretary |
| 7. Ms. Lineth Oyugi | - Director, Economic Affairs |
| 8. Ms. Keziah Njeri | - Manager |
| 9. Mr. Ambrose Njagi | - Legal Officer |
| 10. Mr. Alvin Wafula | - PA to the Chairperson |

The Council of Governors

- | | |
|--------------------------------|---|
| 1. FCPA. Ahmed Abdullahi, EGII | - Chairperson/Governor, Wajir County |
| 2. Hon. Muthomi Njuki, EGH | - Vice Chair/Governor, Tharaka Nithi |
| 3. FCPA. Fernandes Barasa, OGW | - Governor, Kakamega County/Chair
Finance and Economic Affairs |
| 4. Hon. Adan Khalif, EGII | - Governor, Mandera County |
| 5. Hon. Cecily Mbarire, EGH | - Governor, Embu County |
| 6. Ms. Mary Mwiti | - CEO |
| 7. Mr. Stephen Momanyi | - Program Officer |
| 8. Mr. Eugene Lawi | - Legal Officer |
| 9. Ms. Barbara Awour | - Protocol Officer |

MIN/SEN/SCF&B/1520/2026

PRELIMINARIES

The Chairperson called the meeting to order at 9.29 am. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1521/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP and seconded by Sen. Mariam Sheikh Omar, MP, as listed-

1. Prayer;
2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 260th Sitting;
5. Matters arising from the minutes of the previous Sitting;
6. Meeting with the Commission on Revenue Allocation to deliberate on the Division of Revenue Bill, 2026 (National Assembly Bills No.2 of 2026)-*Committee Paper No.169A*;
7. Any other Business; and
8. Adjournment and Date of the Next Meeting.

Upon invitation, the Chairperson of the Commission on Revenue Allocation (CRA) submitted the following views on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)-

- a) The Bill proposes to allocate county governments an equitable share of Ksh.420 billion from the nationally raised revenue in Financial Year 2026/27. This is an increase of Ksh. 5 billion or 1.2% from the base of Ksh.415 billion in FY 2025/26.
- b) The Ksh. 5 billion is not even adequate for the annual salary increment of Ksh.5.85 billion based on a 3% of an aggregate wage bill of counties estimated at Ksh.195 billion.
- c) The Commission recommended that county governments' equitable share allocation for FY 2026/27 be increased to Ksh.458.9 billion to ensure equity in the sharing of nationally raised revenue.
- d) The increment translates to an additional allocation of Ksh.43.94 billion, of which; Ksh. 35 billion is an adjustment for revenue growth and Ksh.8.94 is allocation for transfer of Universal Health Coverage (UHC) workers from the Ministry of Health to respective Counties.
- e) The Bill indicates that after taking into consideration Article 203(1) of the Constitution or setting aside funds to address, national interest, public debt related costs and other national obligations, the balance left to be shared between the National and county government is Ksh.330 billion. This treats allocations to county governments as a residue in revenue sharing and its against the definition of Shareable revenue as per the Constitution and Section 2 of the CRA Act. That, the share of revenue allocated to county government should be from revenues raised nationally.
- f) The Commission proposed that the Ksh.8.94 billion for transfer of UHC workers to counties should form part of the equitable share base to counties in FY 2026/27 going forward as opposed to through additional conditional allocations to the county governments.
- g) That, the allocation to each county government should ideally be based on the UHC workers' payroll with the Ministry of Health. However, given that this might warrant a change in the Fourth Basis, the Commission recommends that the amount be shared among the 47 counties as equitable share to facilitate counties to pay the workers in perpetuity. This is in line with the resolution from 12th National and County Governments Coordinating Summit that was held on 10th December, 2025.
- h) The additional allocations from revenue raised nationally has grown from Ksh.12,894 million to Ksh.18,293 million. The continued increase of conditional grants to county governments reduces the fiscal autonomy of county governments and limits them from

spending according to their own locally determined priorities. Therefore, rather than more conditional grants to county governments, the national government should consider increasing the county equitable share.

- i) The Bill presents other statutory allocations namely: NG-CDF and Affirmative Action Fund as deductions to be made before arriving at shareable revenue. However, the NG-CDF and Affirmative Action Funds are not part of the items in Article 203 to be considered before arriving at the shareable revenue. The allocations into the two Funds are made from the national government's equitable share of revenue.
- j) Section 4(1)(a) of the NG-CDF Act of the NG-CDF of 2015 established the NG-CDF consisting of an amount of not less than 2.5% of the national government's equitable share of revenue. Legal Notice No.52 of the PFM CAP412(National Government Action Fund) Regulations 2016 established the national government Affirmative Action Fund as an allocation from the national government's equitable share of revenue.

Following deliberations, the Committee noted the following-

- a) If the Ksh.8.94 billion for transition of UIIC workers is included in equitable share, the amount will be shared using the fourth basis for revenue sharing among counties. The allocation to each county will not be shared depending on the number of UIIC workers per county. However, inclusion of funds in equitable share will guarantee sustainability, predictability, continuity and stability of the allocation in the subsequent financial years.
- b) The delayed release, non-disbursement or partial disbursement of additional allocations to counties results in stalled projects, project payment delays and financial planning challenges. For instance, in the FY 2023/24, out of the approved Ksh.46.36 billion only Ksh.29.37 billion was disbursed. Further, in FY 2024/25, out of the approved Ksh.50.54 billion Ksh. 26.196 billion was disbursed.
- c) The reduction of conditional additional allocations and integration of the additional funds into equitable share would ensure county autonomy, sustainable and predictable resource flow, proper budgeting, planning and efficient service delivery by county governments.
- d) New financial instruments such as securitization of public funds, privatization of parastatals and establishment of National Infrastructure Fund could impact fiscal space; if invested in income-generating infrastructure, they could improve future resources; otherwise, they would constrain the fiscal space.
- e) Counties rely heavily on equitable share due to underperformance of Own Source Revenue (OSR) collection. However, CRA submitted that the following interventions are being undertaken to improve collection of OSR: revenue system reviews, automation guidelines, review mapping and policies to improve county own source revenue collection.
- f) There is increased accumulation of pending bills in counties despite increase in Equitable Share, from Ksh.387.425 billion in FY 24/25 to Ksh.415 billion in FY 2025/2026. County Governments ought to use such additional allocations to settle and reduce pending bills.

- g) The Committee called for improved financial management, transparency, and collaboration between CRA, and county governments.
- h) The fragmentation of projects under the second marginalization policy by using sub-location as a unit of analysis, spreading projects too thinly has contributed to loss of development impact of Equalization Fund. The third marginalization policy should remedy the situation.

MIN/SEN/SCF&B/1523/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 11:10 a.m. The next meeting shall be held on Tuesday, 24th March, 2026 at 11:20 a.m.

SIGNATURE:  DATE: 31/03/2026

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP

(CHAIRPERSON)



**MINUTES OF THE TWO HUNDRED AND SIXTY-SECOND (262ND) MEETING OF
THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON
TUESDAY, 24TH MARCH, 2026 IN COUNTY HALL, MINI CHAMBER, FIRST FLOOR
AT 11:20 A.M.**

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 5. Sen. Richard Momoima Onyonka, MP | - | Member |
| 6. Sen. Mariam Sheikh Omar, MP | - | Member |
| 7. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 8. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 9. Sen. Eddy Gicheru Oketch, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Millicent Makina | - | Fiscal Analyst |
| 5. Mr. Constant Wamayuyi | - | Research Officer |
| 6. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 7. Mr. Stanley Gikore | - | Media Relations Officer |
| 8. Ms. Rose Ometere | - | Audio Officer |
| 9. Ms. Angelica Wachira | - | Protocol Officer |
| 10. Ms. Anna Moraa | - | Pupil |
| 11. Ms. Momanyi Yvonne | - | Intern |
| 12. Mr. David Kioko | - | Intern |
| 13. Ms. Jamila Said | - | Attachee |

The Commission on Revenue Allocation

- | | | |
|---------------------------------|---|------------------|
| 1. CPA. Mary Wanyonyi Chebukati | - | Chairperson |
| 2. CPM Koitamet Olekina | - | Vice Chairperson |
| 3. Dr. Isabel Waiyaki | - | Commissioner |
| 4. Mr. Jonas Kuko | - | Commissioner |

- | | |
|----------------------|------------------------------|
| 5. Dr. George Midiwo | - Commissioner |
| 6. CPA. Roble Nuno | - Ag. CEO/ Secretary |
| 7. Ms. Lineth Oyugi | - Director, Economic Affairs |
| 8. Ms. Keziah Njeri | - Manager |
| 9. Mr. Ambrose Njagi | - Legal Officer |
| 10. Mr. Alvin Wafula | - PA to the Chairperson |

The Council of Governors

- | | |
|--------------------------------|---|
| 1. FCPA. Ahmed Abdullahi, EGH | - Chairperson/Governor, Wajir County |
| 2. Hon. Muthomi Njuki, EGH | - Vice Chair/Governor, Tharaka Nithi |
| 3. FCPA. Fernandes Barasa, OGW | - Governor, Kakamega County/Chair
Finance and Economic Affairs |
| 4. Hon. Adan Khalif, EGH | - Governor, Mandera County |
| 5. Hon. Cecily Mbarire, EGH | - Governor, Embu County |
| 6. Ms. Mary Mwiti | - CEO |
| 7. Mr. Stephen Momanyi | - Program Officer |
| 8. Mr. Eugene Lawi | - Legal Officer |
| 9. Ms. Barbara Awour | - Protocol Officer |

MIN/SEN/SCF&B/1524/2026

PRELIMINARIES

The Chairperson called the meeting to order at 11.25 am. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1525/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP and seconded by Sen. Mariamb Sheikh Omar, MP, as listed-

1. Prayer;
2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 260th Sitting;
5. Matters arising from the minutes of the previous Sitting;
6. Meeting with the Council of Governors to deliberate on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)-*Committee Paper No.169A*;
7. Any other Business; and
8. Adjournment and Date of the Next Meeting.

MIN/SEN/SCF&B/1526/2026

MEETING WITH THE COUNCIL OF GOVERNORS TO DELIBERATE ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)-COMMITTEE PAPER NO.169A

Upon invitation, the Chairperson of the Council of Governors (CoG) submitted the following views on the Division of Revenue Bill, 2026 (National Assembly Bills No.2 of 2026)-

- a) The Council acknowledged Senate's recommendation on Division of Revenue in the 2026 BPS of Ksh.454.74 billion as county governments equitable share in the FY 2026/27. However, the allocation will not adequately address the Counties' budgetary requirements for the next FY.
- b) Regarding evaluation of the Bill against Article 203(1) of the Constitution, the Bill indicates that the National government continues to reduce the revenue available for sharing between the two levels of government by hiving off expenditure items that only relate to the national government. For Example, under "Other National Obligations" Funds such as NG-CDF and Affirmative Action are highlighted.
- c) The National Treasury has been making arbitrary allocations as county equitable share as opposed to the National government's share of revenue which is itemized under the Explanatory Memorandum to the Bill.
- d) The Senate should ensure that the Counties' equitable share is equally supported by data and the corresponding cost items itemized before arriving at the final figure to be included in the Schedule to the Bill.
- e) The National Government is increasingly establishing Funds through Statute some touching on devolved functions. Such Funds are then labelled as National obligations to be funded through ordinary revenue. Such Funds reduce revenue available for sharing thereby disadvantaging the county governments who are not part of their implementation. Therefore, the Senate should interrogate all the established Funds.
- f) The Council noted that National Treasury proposes to transfer the Ksh.8.94 billion earmarked for transitioning UHC Workers from the Ministry of Health to respective counties as a conditional grant in FY 2026/27. However, the Council proposed that the money should form part of part of the county equitable share. Further, the Council acknowledged that some counties have deficits upon application of the 4th Basis of revenue sharing on the amount. The Council's proposal was informed by the following-
 - i. That, the Division of Revenue Act will guarantee sustainability, continuity and stability of the allocation in the subsequent financial years.
 - ii. Due to delays associated with the annual County Governments Additional Allocations Bill, the UHC Workers may not be paid until the Bill is enacted which will also mean withdrawal of services.
 - iii. National Government Ministries have not been honouring the conditional allocations as enacted or as per existing agreements. For instance, the Ministry of Health has not been disbursing money meant for Community Health Promoters (CHIPs) to the respective counties. The same applies to the conditional grant for construction of County Headquarters where money has not been disbursed for the last three (3) FYs despite the existence of the County Additional Allocations Act.
 - iv. County Governments additional allocations are affected by the Ministerial in-year budget revisions through Supplementary Appropriations which are not considered by the Senate.

- v. Any deficits that may arise, will be covered with the growth of equitable share in FY 2026/27 and subsequent FYs.
- vi. As conditional allocation, the Ministry of Health may withdraw the grant in subsequent years which will threaten sustainability and continuity in perpetuity as required in the transition arrangement.
- g) The Council proposed Ksh.534.96 billion as county equitable share in FY 2026/27-
 - i. Ksh.35 billion as an adjustment for revenue growth;
 - ii. Ksh.8.94 billion as budget requirement to transition UHC Workers to respective counties;
 - iii. Ksh.10.06 billion budget requirement to implement the outstanding 3rd and 4th remuneration and benefits review cycles and
 - iv. Ksh.65.966 billion identified for transfer under the first phase of delineated and gazetted devolved functions.
- a) The Council's justification for the proposal was as follows-
 - i. Revenue growth: Kenya's economy is projected to expand by 5.3% and remain stable in 2026 and 2027 with a projected revenue growth of Ksh.262.2 billion in absolute terms. An allocation of Ksh.35 billion to counties as recommended by CRA would be fair given that the National government will get Ksh.217.6 billion increment.
 - ii. UHC Workers contracts will lapse between April and September 2026. The Ministry of Health in consultation with the Council, agreed that the workers will be transitioned to county governments in the FY 2026/27 on permanent and pensionable terms and the budget transferred through Division of Revenue in perpetuity to ensure sustainability. As such, the MOH confirmed availability of the attendant cost of Ksh.8.94 billion.
 - iii. The Salaries and Remuneration Commission (SRC) vide a letter to the Council Ref. No. SRC/TS/24/6VOL.II (108) dated 29th August 2025 confirmed that county governments are in arrears regarding implementation of the 3rd and 4th remuneration and review cycles. The final phase of the 3rd Cycle requires Ksh.4.77 billion while the first phase of the 4th Cycle requires Ksh.5.28 billion to implement.
 - iv. Financial resources related to the unbundled and delineated functions: The first phase of identification of financial resources indicated that Ksh.65.97 billion is available for transfer to counties from various national government Ministry, Departments, and Agencies (MDAs).

Following deliberation, the Committee noted the following-

- a) Concerns were raised about deductions from shareable revenue before allocation to counties such as the NG-CDF, Affirmative Action Fund and public debt service, affecting county equitable share. This is against Article 203 of the Constitution which provides for the criteria that shall be considered in determining the equitable shares.
- b) Increased accumulation of pending bills in counties arises from unrealistic own source revenue target setting, delayed disbursement of funds and misallocation of funds by county governments. Counties were advised to consider revising their budgets through

supplementary budgets to review items such as projected revenue collection and other expenditures to reduce the accumulation of pending bills.

- c) Conditional additional allocations/grants are often not disbursed in full or delayed, causing project payment delays, incomplete or delayed implementation of projects and budget planning challenges. For instance, the conditional allocation for construction of Headquarters in five counties has not been disbursed in the last three Financial Years thus delayed the intended purpose of the projects.
- d) Additionally, In FY 2023/24, Ksh.29.37 billion out of Ksh.46.36 billion was disbursed leaving a balance of Ksh.16.99 billion. In the FY 2024/25, Ksh.27.84 billion out of the Ksh.50.54 billion allocated was disbursed leaving a balance of Ksh.22.7 billion.
- e) The Council proposed that the Ksh.8.94 billion for transfer of UIIC staff salaries to respective county governments should be integrated into equitable share to avoid payment delays. The Council further acknowledged that any deficit that will arise after sharing the allocation using the Fourth Basis Formula will be catered for by the increase in the overall county equitable share.
- f) Equalization Fund has faced implementation challenges compared to other established Funds, yet the monies were intended to bridge development gaps in the beneficiary counties. The Equalization Fund arrears amounting to Ksh.62 billion amounts gross violation of Article 204 of the Constitution. The Council was urged to seek recourse through other channels to ensure the funds are disbursed.
- g) Analysis of own source revenue performance showed a high collection from the Facility Improvement Fund (FIF) and an underperformance in core ordinary revenue. Counties were encouraged to adopt the CRA's guidelines to improve OSR collection.
- h) The Council committed to ensure that county governments will use the increase in county equitable share for settling verifiable pending bills. That, all county Governments will be notified of this resolution.
- i) There was need to engage the National Treasury regarding the delay in disbursement of additional allocations.

The Committee applauded both the CRA and the CoG for their comprehensive submissions and views on the Division of Revenue Bill, 2026, which was supported by scientific facts/data and evidence.

MIN/SEN/SCF&B/1527/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 1:40 p.m. The next meeting shall be held on Thursday, 26th March, 2026 at 9:00 a.m.

SIGNATURE:  DATE: 31/03/2026

SEN. (CAPT.) ALI IBRAHIM ROBA, EGII, MP

(CHAIRPERSON)



MINUTES OF THE TWO HUNDRED AND SIXTY-FOURTH (264TH) MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON TUESDAY, 31ST MARCH, 2026 IN COUNTY HALL, GROUND FLOOR BOARDROOM AT 9:00 A.M.

PRESENT

- | | | |
|---|---|-------------------------|
| 1. Sen. (Capt.) Ali Ibrahim Roba, MP, EGH | - | Chairperson |
| 2. Sen. Maureen Tabitha Mutinda, CBS, MP | - | Vice-Chairperson |
| 3. Sen. (Dr.) Boni Khalwale, CBS, MP | - | Member |
| 4. Sen. Mohamed Faki Mwinyihaji, CBS, MP | - | Member |
| 5. Sen. Mariam Sheikh Omar, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|-------------------------------------|---|--------|
| 6. Sen. Richard Momoima Onyonka, MP | - | Member |
| 7. Sen. Shakila Abdalla Mohamed, MP | - | Member |
| 8. Sen. Eddy Gicheru Oketch, MP | - | Member |
| 9. Sen. Essy Okenyuri Nyaituga, MP | - | Member |

SECRETARIAT

- | | | |
|----------------------------|---|-------------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Millicent Makina | - | Fiscal Analyst |
| 5. Mr. Constant Wamayuyi | - | Research Officer |
| 6. Mr. Kioko Kiminza | - | Fiscal Analyst |
| 7. Mr. Stanley Gikore | - | Media Relations Officer |
| 8. Ms. Rose Ometere | - | Audio Officer |
| 9. Mr. David Kuria | - | Pupil |
| 10. Mr. David Kioko | - | Intern |

MIN/SEN/SCF&B/1534/2026

PRELIMINARIES

The Chairperson called the meeting to order at 9.28 am. This was followed by a word of prayer and introductions.

MIN/SEN/SCF&B/1535/2026

ADOPTION OF THE AGENDA

The agenda was adopted having been proposed by Sen. Mariam Sheikh Omar, MP, and seconded by Sen. Mohamed Faki Mwinyihaji, CBS, MP, as listed-

1. Prayer;

2. Introduction;
3. Adoption of the Agenda;
4. Confirmation of minutes of the 260th, 261st, 262nd, and 263rd Sittings;
5. Matters arising from the minutes of the previous sittings;
6. Meeting with the National Treasury to deliberate on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)-*Committee Paper No.169B*;
7. Consideration and adoption of the report on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)-(*Committee Paper No.169C*);
8. Any other Business; and
9. Adjournment and Date of the Next Meeting.

MIN/SEN/SCF&B/1536/2026

**CONFIRMATION OF MINUTES OF THE 260TH,
261ST, 262ND, AND 263RD SITTINGS**

- a) The Minutes of the Two Hundred and Sixtieth (260th) meeting held on Thursday, 19th March, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. (Dr.) Boni Khalwale, CBS, MP.
- b) The Minutes of the Two Hundred and Sixty-First (261st) meeting held on Tuesday, 24th March, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP.
- c) The Minutes of the Two Hundred and Sixty-Second (262nd) meeting held on Tuesday, 24th March, 2026 at 11:20 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP.
- d) The Minutes of the Two Hundred and Sixty-Third (263rd) meeting held on Thursday, 26th March, 2026 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee having been proposed by Sen. Mohamed Faki Mwinyihaji, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP.

MIN/SEN/SCF&B/1537/2026

**MATTERS ARISING FROM MINUTES OF THE
PREVIOUS SITTINGS**

260th Sitting

Ex.MIN/SEN/SCF&B/1517/2026

- a) The Committee canvassed on the counties' shrinking fiscal space and the need to utilize Public Private Partnership (PPP) in implementation of projects such as water projects which cannot be financed by national government in all counties.
- b) That, PPP projects could be a viable option to finance such projects, and there is need for PPP awareness/training to counties on how to access and implement PPP-funded projects.

- c) Members proposed a meeting with the Public Private Partnership Unit (PPPU), established under section 8 of the Public Private Partnership (PPP) Act, 2013 as a Special Purpose Unit within the National Treasury of the Government of Kenya (GOK). The PPP Unit's serves as the secretariat and technical arm of the PPP Committee, which is mandated with assessing and approving PPP projects in the country.

MIN/SEN/SCF&B/1538/2026

**MEETING WITH THE NATIONAL TREASURY
TO DELIBERATE ON THE DIVISION OF
REVENUE BILL, 2026 (NATIONAL
ASSEMBLY BILLS NO. 2 OF 2026)-
COMMITTEE PAPER NO.169B)**

The Committee considered the Paper and noted that-

- a) The Cabinet Secretary of the National Treasury and Economic could not attend the meeting because he was attending a National Security Council meeting same day and time.
- b) The CS requested to be represented by Director General of Budget, Fiscal and Economic Affairs and the Director General of Public Debt Management Office, which the Committee deemed unacceptable for legislative business such as Division of Revenue Bill.
- c) National Treasury provided written submissions on the Division of Revenue Bill, 2026.
- d) That standing order 187(3) of the Senate Standing Orders requires the Senate to consider and approve the Bill with or without amendments not later than 14 days after the Bill has been introduced.

Following deliberations, the Committee resolved to-

- a) accept the written submissions on the Division of Revenue Bill, 2026 from National Treasury;
- b) consider and adopt the report on the Bill for tabling in the House at its afternoon sitting to be held on Tuesday, 31st March, 2026.
- c) to respond to National Treasury expressing dissatisfaction on failure to appear to deliberate on the very important legislative matter, which will not be accepted in the future.
- d) to invite the CS National Treasury to a meeting to respond to other issues relating to loans contracted by National Government and implementation of Equalisation Fund.

MIN/SEN/SCF&B/1539/2026

**CONSIDERATION OF THE REPORT ON THE
DIVISION OF REVENUE BILL, 2026
(NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)-
(COMMITTEE PAPER NO.169C)**

- a) The meeting considered the draft report on Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) and noted that submissions from various stakeholders

proposed an increase in county equitable share compared to the National Treasury's allocation of Ksh.420 billion as follows-

- i. Commission on Revenue Allocation- Ksh.458.9 billion;
 - ii. Council of Governors-Ksh. 534.96 billion;
 - iii. Institute of Certified Public Accountants of Kenya and Bajeti Hub- Ksh.468 billion;
 - iv. County Assemblies Forum- Ksh.470 billion;
 - v. The Institute of Social Accountability- KSh.440 billion;
 - vi. Institute of Public Finance -Ksh.493 billion;
 - vii. Institute of Economic Affairs- Ksh. 443 billion.
- b) The Committee deliberated on the proposal to include the Ksh. 8.94 billion for transfer of UHC workers from the Ministry of Health to respective county governments in equitable share or transfer as a conditional additional allocation to county governments. The Committee observed that-
- i. As per the sharing framework submitted by the National Treasury, the allocation totalled Ksh.8.605 billion as opposed to Ksh.8.94 billion that was submitted in the 2026 Budget Policy Statement, a shortfall of Ksh.330 million.
 - ii. inclusion of the funds in equitable share will be shared using the Fourth Basis Formula and 28 counties will have deficits while 19 would have surplus.
 - iii. although inclusion of the funds in the equitable share would ensure sustainability and stability in planning, with 28 counties facing deficits, the Committee reconsidered its decision on including the funds in DoRB, 2026 and resolved the funds be transferred under the County Governments Additional Allocations Bill for two consecutive financial years to avoid losses, while pursuing an increase in the Division of Revenue baseline for long-term absorption.
- c) The Committee's county equitable share recommendation be Ksh.454.74 billion.
- d) Further, the Committee resolved that a clause that requires the National Government to bear the burden of revenue shortfall be introduced in the Bill.

MIN/SEN/SCF&B/1540/2026

**ADOPTION OF THE REPORT ON THE
DIVISION OF REVENUE BILL, 2026
(NATIONAL ASSEMBLY BILLS NO. 2 OF 2026-
(COMMITTEE PAPER NO.169C)**

Having considered the report and stakeholders submissions, the Committee unanimously adopted the report having been proposed by Sen. (Dr.) Boni Khalwale, CBS, MP, and seconded by Sen. Mariam Sheikh Omar, MP with the following amendments-

- a) Insertion of a new clause 5 to provide that-
 5. (1) If the actual revenue raised nationally in the financial year falls short of the expected revenue set out in the Schedule, the shortfall shall be borne by the national government.

(2) If the actual revenue raised nationally in the financial year exceeds the projected revenues set out in the Schedule, the excess revenue shall accrue to the national government and may be used to reduce borrowing or pay debts.

- b) The Schedule to the Bill be amended to reflect the following-
- i) The total sharable Revenue Ksh.2,901,874,758,144;
 - ii) National Government share – Ksh.2,436,881,026,560;
 - iii) County government share – Ksh.454,743,157,879; and
 - iv) The Equalisation Fund - Ksh.10,250,573,705.

MIN/SEN/SCF&B/1541/2026

ANY OTHER BUSINESS

The Committee resolved to hold a meeting on Thursday, 2nd March, 2026. At this meeting, pursuant to standing order 105 of the Senate Standing Orders, Sen. (Dr.) Boni Khalwale, CBS, MP, should substantiate the allegation that government spent Kshs.100 million on the Orange Democratic Movement (ODM) Special National Delegates Convention (NDC) that was held on 27th March, 2026.

MIN/SEN/SCF&B/1542/2026

ADJOURNMENT AND DATE OF THE NEXT MEETING

The meeting adjourned at 10:58 a.m. The next meeting shall be by notice.

SIGNATURE: DATE:.....

SEN. (CAPT.) ALI IBRAHIM ROBA, EGH, MP

(CHAIRPERSON)

Annex 3-

**Submissions from
Stakeholders**



COMMISSION ON REVENUE ALLOCATION
Promoting an Equitable Society

**Commission's Memorandum on the
Division of Revenue Bill, 2026**

(National Assembly Bills No. 2 of 2026)

**To the
Standing Committee on Finance and
Budget of The Senate**

Tuesday, 24th March 2026

Ground Floor Boardroom, County Hall,
Parliament Buildings-9.30 a.m

OUTLINE

1. Invitation Letter from the Senate
2. Commission's Response Letter
3. Commission's Comments on the Division of
Revenue Bill, 2026

REPUBLIC OF KENYA

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



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

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

Ref. SEN/DSEC/F&B/2026/034(a)

18th March, 2026

CPA Roble Nuno,
Ag. Commission Secretary/ CEO,
Commission on Revenue Allocation,
3rd Ngong Avenue,
Prism Towers, 28th Floor,
NAIROBI.

Dear *Sir*,

**RE: INVITATION TO A MEETING TO SUBMIT VIEWS ON THE DIVISION
OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)**

The Standing Committee on Finance and Budget is established under standing order 228(3) of the Senate Standing Orders and is mandated to-

- a) *investigate, inquire into, and report on all matters relating to coordination, control, and monitoring of the county budgets and examine -*
 - i) *the Budget Policy Statement presented to the Senate;*
 - ii) *the report on the budget allocated to constitutional commissions and independent offices;*
 - iii) *the Division of Revenue Bill, the County Allocation of Revenue Bill, and the cash disbursement schedule for county governments; and*
 - iv) *all matters related to resolutions and Bills for appropriations, the share of national revenue amongst the counties, and all matters concerning the National Budget, including public finance and monetary policies and public debt, planning, and development policy;*
- b) *pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.*

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) was read a First Time in the Senate on Wednesday, 18th March, 2026. Thereafter, the Bill stood committed to the Standing Committee on Finance and Budget for consideration.

Pursuant to the provisions of Article 118 of the Constitution and standing order 145 of the Senate Standing Orders and being a key stakeholder, the Committee hereby invites you to a meeting to submit any representations that you may have on the Bill

The purpose of this letter is to invite you to a meeting of the Committee that will be held on **Tuesday, 24th March, 2026 at 9:30 a.m.** at the **Ground Floor Boardroom, County Hall, Parliament Buildings, Nairobi.**

The Committee also requests you to submit your submissions on the Bill **by email** through the address: clerk.senate@parliament.go.ke/financebudgetcomm.senate@parliament.go.ke on or before Monday, 23rd March, 2026.

The Bill may be accessed on the Parliament Website at <http://www.parliament.go.ke/the-senate/house-business/bills>.

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

Yours *Sincerely,*



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

Tel: 254 (20) 4298000
Email: info@cra.go.ke
Website: www.cra.go.ke



Prism Towers
3rd Ngong Avenue
28th Floor
P.O. BOX 1310 –
00200
NAIROBI

COMMISSION ON REVENUE ALLOCATION

REF: CSO/P&S/11/Vol.V (12)

DATE: 23rd March 2026

J.M. Nyegenye
Clerk of the Senate
Parliament Buildings
P.O Box 41842-00100
NAIROBI

Dear Nyegenye,

**INVITATION TO A MEETING TO SUBMIT VIEWS ON THE DIVISION
OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO.2 OF
2026)**

The Commission acknowledges receipt of your letter, reference number SEN/DSEC/F&B/2026/034(a) dated 18th March, 2026 inviting the Commission to submit any representations it may have on the Division of Revenue Bill, 2026 before the Senate Standing Committee on Finance and Budget on 24th March, 2026.

The Commission wishes to confirm its attendance to the meeting. Further, we hereby make our submission on the Division of Revenue Bill, 2026 herein as Attachment 01.

Thank you for your continued cooperation.

Yours sincerely,

CFA Roble Nuno
Ag. Commission Secretary/CEO

Encl.



Promoting an Equitable Society

**COMMENTS ON THE DIVISION
OF REVENUE BILL, 2026
(NATIONAL ASSEMBLY BILLS NO.2 of 2026)**

No.	Paragraph/Section/ Clause	Issue	Recommendation
1	Page 23 Schedule (S.4)	Schedule (s.4) allocates county governments an equitable share of Ksh. 420 billion from the nationally raised revenue in the financial year 2026/27. This is an increase of Ksh. 5 billion in county allocation from Ksh. 415 billion in FY 2025/26.	- The proposed allocation of Ksh.420 billion translates to an increase of Ksh. 5 billion or 1.2 percent from a base of Ksh 415 billion allocated in FY 2025/26. - The Ksh 5 billion is not adequate for the annual salary increment of Ksh 5.85 billion based on a three percent (3%) of an aggregate wage bill of counties estimated at Ksh 195 billion - The Commission recommends that county governments' equitable share allocation be increased to Ksh. 458.9 billion in the FY 2026/27 to ensure equity in the sharing of nationally raised revenue. - The increment translates to an additional allocation of Ksh 43.94 billion, of which; Ksh 35 billion or 8.43 % from the base is an adjustment for revenue growth and Ksh 8.94 is a transfer from the Ministry of Health budget for the UHC workers.
2	Page 28 and 29 Clause 8, Table 2: Evaluation of the Bill against Article 203(1) of the Constitution	Table 2, row F gives the balance left to be shared between the National and county government as Ksh.330 billion for the financial year 2026/27.	The shareable revenue is defined in the Constitution and Section 2 of the CRA Act, 2011 as:

No.	Paragraph/Section/Clause	Issue	Recommendation
		This approach treats allocations to county governments as a residue in revenue sharing and goes against the definition of Shareable revenue. Ksh 330 billion is below the FY 2025/26 allocation of Ksh 415 billion.	<i>“all taxes imposed by the national government under Article 209 of the Constitution and any other revenue (including investment income) that may be authorized by an Act of Parliament, but excludes revenues¹ referred to under Articles 206(1)(a)(b) and 209 (4) of the Constitution”.</i> The share of revenue allocated to county government should be from revenues raised nationally.
3	Page 29 Clause 8, Table 2: Evaluation of the Bill against Article 203(1) of the Constitution	- Item on County governments' additional allocation from revenue raised nationally. - The additional conditional allocations to the county governments includes the total attendant remuneration for Universal Health Coverage (UHC) workers to be transitioned to permanent and pensionable terms within counties in FY 2026/27.	- The 12th National and County Governments Coordinating Summit held on 10th December, 2025 resolved that the allocation of Ksh. 8.94 billion was to facilitate counties to pay the UHC workers in perpetuity. - It is therefore the considered opinion of the Commission that the Ksh. 8.94 billion should form part of the equitable share base to counties in FY 2026/27 going forward. The allocation to each county government should ideally be based on the UHC workers' payroll with the Ministry of Health. However, given that this might warrant a change in the Fourth Basis, the Commission recommends that the amount be shared among the 47 counties as part of the equitable share.
4	Page 29 Clause 8, Table 2: Evaluation of the Bill	Item on County governments' additional allocation from revenue raised nationally.	Continued increase of conditional grants to county governments reduces the fiscal autonomy of county governments and limits them from spending according to their own locally determined priorities.

¹ Art. 206(1)(a)(b) refers to revenues excluded from the Consolidated Fund by an Act of Parliament and payable into another public fund established for a specific purpose; or may, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ. Art 209(4) refers to revenues from charges for services provided by either level of government.

No.	Paragraph/Section/Clause	Issue	Recommendation
	against Article 203(1) of the Constitution	The additional allocations from revenue raised nationally has grown from Ksh.12,894 million in the financial year 2025/26 to Ksh.18,293 million in the financial year 2026/27.	Rather than give more conditional grants to county governments, the national government should consider increasing the county equitable share.
5	Page 29 Clause 8, Table 2: Evaluation of the Bill against Article 203(1) of the Constitution	The Bill presents other statutory allocations namely: NG-CDF and Affirmative Action Fund as deductions to be made before arriving at shareable revenue	- The NG-CDF and Affirmative Action Funds are not part of the items in Article 203 to be considered before arriving at the shareable revenue. The allocations into the two Funds are made from the national government's equitable share of revenue. - Section 4(1)(a) of the NG-CDF Act of 2015 established the NG-CDF consisting of an amount of not less than 2.5% of the national government's equitable share of revenue. Legal Notice No.52 of the PFM CAP412A (National Government Action Fund) Regulations 2016 established the national government affirmative action as an allocation from the national government's equitable share of revenue.
6	Page 36 Assumptions used in arriving at the respective shares	Assumption iv notes that the Equalization Fund arrears will be financed from the national government's share of revenue	- Article 204(1) provides that the allocation to the Equalisation Fund constitutes of one half per cent of all the revenue collected by the national government each year based on the most recent audited accounts of revenue received, as approved by the National Assembly. It follows therefore, that allocations to the Fund are made each year. - The payment of the Fund arrears should not be used as a reason for allocating county governments low allocations.

**UNIVERSAL HEALTH COVERAGE WORKERS ALLOCATION OF
Ksh. 8,937,615,000 USING THE FOURTH BASIS**

No.	County	Allocation Ratio-4th Basis	UHC Allocation Ksh.8,937,615,000
1	Lamu	1.0016172	89,520,689.11
2	Tharaka-Nithi	1.24209956	111,014,076.59
3	Elgeyo-Marakwet	1.37031376	122,473,368.16
4	Taita-Taveta	1.39582365	124,753,343.92
5	Kirinyaga	1.43077009	127,876,722.18
6	Embu	1.45307451	129,870,205.37
7	Isiolo	1.45439517	129,988,240.87
8	Nyamira	1.47860565	132,152,080.37
9	Samburu	1.47988401	132,266,335.26
10	Vihiga	1.4889159	133,073,570.82
11	Laikipia	1.49418391	133,544,405.27
12	Nyandarua	1.53358128	137,065,590.52
13	Nyeri	1.63323997	145,972,700.54
14	West Pokot	1.69885483	151,837,104.11
15	Tana-River	1.72076961	153,795,762.78
16	Baringo	1.72965677	154,590,062.92
17	Nandi	1.84169137	164,603,284.14
18	Bomet	1.86925695	167,066,989.55
19	Kericho	1.9044043	170,208,324.38
20	Busia	1.91057095	170,759,475.81
21	Trans-Nzoia	1.94946967	174,236,093.65
22	Siaya	1.95978998	175,158,483.22
23	Kwale	1.9610125	175,267,747.35
24	Murang'a	1.97965756	176,934,171.03
25	Homa-Bay	2.059681	184,086,358.01
26	Makueni	2.07236592	185,220,087.32
27	Mombasa	2.09262921	187,031,142.17
28	Kisumu	2.14881404	192,052,725.96
29	Migori	2.15818006	192,889,824.77
30	Uasin-Gishu	2.18306645	195,114,074.50
31	Marsabit	2.19994759	196,622,845.80
32	Kisii	2.22317145	198,698,504.99
33	Narok	2.28620647	204,332,332.39
34	Kajiado	2.37612492	212,368,897.27
35	Mandera	2.48516735	222,114,689.85
36	Machakos	2.51745075	225,000,055.85
37	Garissa	2.5409358	227,099,059.20
38	Wajir	2.61640338	233,844,060.95
39	Meru	2.63727267	235,709,277.74
40	Kitui	2.67332787	238,931,752.71
41	Kilifi	2.78413711	248,835,455.96
42	Bungoma	2.88722071	258,048,671.26
43	Turkana	2.9387586	262,654,929.45
44	Kakamega	3.00387301	268,474,604.72
45	Kiambu	3.36630462	300,867,346.66
46	Nakuru	3.40969073	304,745,030.14
47	Nairobi City	5.35763115	478,844,445.31
	Total	100	8,937,615,000



REPUBLIC OF KENYA
THE NATIONAL TREASURY

Telegraphic Address: 22921
FINANCE – NAIROBI
FAX NO. 310833
Telephone: 2252299

THE NATIONAL TREASURY
P.O. BOX 30007 -00100
NAIROBI
KENYA

When Replying Please Quote

IGFR/DOR/01/C (27)

25th March 2026

Mr. Jeremiah M. Nyegenye, CBS
Clerk of the Senate
Clerk's Chamber
Parliament Buildings
NAIROBI.

Dear

Clerk

**RE: INVITATION TO A MEETING TO SUBMIT VIEWS ON THE DIVISION OF
REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO.2 OF 2026).**

Reference is made to your letter **Ref No. SEN/DSEC/F&B/2026/34(c)** dated 18th March, 2026 on the above subject matter.

The Division of Revenue Bill (DORB), 2026 (National Assembly Bills No.2 of 2026) was read a First Time in the Senate on Wednesday, 18th March, 2026. Thereafter, the Bill stood committed to the Senate Standing Committee on Finance and Budget for consideration. Pursuant to the provisions of Article 118 of the Constitution and standing order 145 of the Senate Standing Orders, the Committee has invited the Cabinet Secretary to the National Treasury, being a key stakeholder, to a meeting to submit views on the Bill.

The National Treasury has reviewed the Published DORB, 2026 (National Assembly Bills No. 2 of 2026) against the legislative proposal on the Bill submitted to Parliament by the National Treasury and has prepared the attached views.

The purpose of this letter, therefore, is to submit the above views for consideration by the Committee.

Yours

Sincerely

HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY



REPUBLIC OF KENYA
THE NATIONAL TREASURY

VIEWS OF THE CABINET SECRETARY TO THE NATIONAL TREASURY ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026) SUBMITTED TO THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET ON THURSDAY, 26TH MARCH 2026 AT THE GROUND FLOOR BOARDROOM, COUNTY HALL, PARLIAMENT BUILDINGS NAIROBI.

I. INTRODUCTION

- **Hon. Chairman and Honorable Members**, it is my pleasure and honour to present the views of the National Treasury on the published **Division of Revenue Bill, 2026 (National Assembly Bills No.2 of 2026)**, that currently stands committed to this Senate Standing Committee of Finance and Budget.

II. BACKGROUND

- **Hon. Chairman**, pursuant to Article 218 of the Constitution and Section 191 of the Public Finance Management Act Cap 412A, the National Treasury submitted a legislative proposal of the Division of Revenue Bill (DORB), 2026 alongside the 2026 Budget Policy Statement (BPS) for FY 2026/2027.
- The Division of Revenue Bill (DORB), 2026 (National Assembly Bills No.2 of 2026) was read a First Time in the Senate on Wednesday, 18th March, 2026. Thereafter, the Bill stood committed to the Senate Standing Committee on Finance and Budget for consideration.
- Pursuant to the provisions of Article 118 of the Constitution and standing order 145 of the Senate Standing Orders your Committee has invited the Cabinet Secretary to the National Treasury, being a key stakeholder, to this meeting to submit views on the Bill.

III. VIEWS OF THE NATIONAL TREASURY ON DORB 2026

- Hon. Chairman and Honorable Members, the National Treasury has reviewed the Published Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) against the legislative proposal on the Bill submitted to Parliament by the National Treasury as summarised in **Table 1** below.

Table 1: Comparison Between National Treasury's Submission and National Assembly DORB 2026

DORB 2026 SCHEDULE: National Treasury DORB 2026 vs National Assembly Bill			
Type/Level of allocation	Amount in Ksh.		
	National Treasury's Legislative Proposal on DORB 2026	The National Assembly DORB 2026 (Bills No. 2 of 2026)	Variation
A. Total Sharable Revenue	2,901,874,758,144	2,901,874,758,144	-
B. National Government	2,472,272,587,719	2,471,624,184,440	(648,403,279)
C. Equalization Fund	9,602,170,425	10,250,573,705	648,403,279
Percentage of most recent audited and approved revenues (%)	0.50%	0.50%	-
Most Recent Audited and Approved Revenues (KSh.)	1,920,434,085,078	2,050,114,740,913	129,680,655,835
D. County equitable share	420,000,000,000	420,000,000,000	-
Percentage of most recent audited and approved revenues (%)	21.87%	20.49%	-1.38%

Hon. Chairman and Honorable Members, I therefore, hereby submit the following views for your consideration:

a) The Projected Total Sharable Revenue for FY 2026/27 –

- As indicated in **Table 1** above, the National Assembly Bill (No.2 of 2026) has used the same projected total sharable revenue as projected by the National Treasury amounting to **KSh. 2,901.87 billion**. The National Treasury wishes to confirm that this is consistent with the projected ordinary revenue for FY 2026/27 in line with the 2026 Budget Policy Statement.

b) The County Equitable Share of Revenue –

- The National Assembly Bill (No.2 of 2026) has an allocation of **KSh. 420.00 billion** to County Equitable Share of Revenue, that is consistent with the National Treasury legislative proposal. The allocation of **KSh. 420.00 billion** to County Equitable Share is **20.49%** of the most recent audited and approved revenues of FY 2022/23, amounting to **KSh. 2,050.11 billion** and therefore meeting the 15

percent minimum threshold provided under Article 203(2) of the Constitution. The National Treasury **concurs with** this proposal.

Justification for the Proposed KSh. 420.00 billion as County Equitable Share of Revenue

- Out of the **KSh. 2,901.9 billion** projected total sharable revenues for FY 2026/27 the National Treasury proposes an allocation of **KSh. 420.0 billion** to County Governments as County Equitable Share of the revenue to be raised Nationally in FY 2026/27.
- **Hon. Chairman and Honorable Members**, this proposed allocation is informed by the following factors:
 - i. Article 203 (2) and (3) of the Constitution Requirements*
 - The allocation of **KSh. 420.0 billion** as County Equitable Share translates to **20.49 per cent** of the most recent audited and approved revenue of **KSh. 2,050.11 billion** for FY 2022/23, hence above the 15 percent minimum constitutional threshold.
 - ii. Projected Ordinary Revenue in FY 2026/27 and Implication to the levels of Governments*
 - **Hon. Chairman and Honorable Members**, although ordinary revenue is projected to grow from a projection of **KSh 2,639.7 billion** in FY 2025/26 to **KSh 2901.9 billion** in FY 2026/27, the actual collections over the past ten years has been below target, except only in FY 2021/22.
 - In the current FY 2025/26, **KSh. 1,250 billion** actual revenue was collected in the first half of the financial year against a target of **KSh. 1,372.2 billion** translating into a shortfall of **KSh. 122.2 billion**. Taking note of the underperformance in the first half of the current financial year, this could imply an estimated cumulative shortfall of **KSh. 244.4 billion** by the end of June 2026 relative to the original projection. Although the National Treasury is working hard to reverse this trend, these observations must be taken into consideration in future fiscal forecast and determination of revenue sharing.

- Over the years, county governments have always received full allocation of their equitable share of revenue despite shortfalls in performance of ordinary revenues. In cases where there is delay in disbursement of revenue to the county governments during the financial year, the arrears have always been disbursed in the subsequent financial year.
- The National Government Ministries, Departments and Agencies, therefore, have continued to bear the full burden of revenue shortfall through budget cuts.

2.1.1.1 National Finance Mandatory Expenditures Under Article 203 (1) Of The Constitution

- Hon. Chairman and Honorable Members, after considering all these mandatory expenditures under Article 203(1) of the Constitution as shown in Table 2 of the Bill, there are no resources left for National Government to finance critical public functions including education, health, defence, roads, and energy, among others. To bridge this gap, the government will have to resort to further borrowing.

Table 2: Evaluation of the Bill against Article 203 (1) of the Constitution

ITEM DESCRIPTION (KSh. millions)	FY2021/22	FY2022/23	FY2023/24	FY 2024/25	FY 2025/26*	FY 2026/27**
ORDINARY REVENUE (EXCLUDING AIA)	1,775,624	2,141,584	2,565,959	2,631,418	2,754,709	2,901,875
National Interest [Article 203 (1)(a)]	83,197	61,423	97,853	92,455	125,380	136,430
Enhancement of security operations (police vehicles, helicopters, defence etc.)	22,261	24,299	23,969	33,044	49,315	53,512
National irrigation & fertilizer clearance	11,199	16,800	24,654	17,943	15,548	17,971
Youth empowerment	14,548	15,290	13,087	10,290	15,004	15,016
National social safety net - (for older persons, OVC, child welfare, presidential bursary, severe disability, Hunger Safety Net)	29,286	31,074	31,120	29,178	39,614	40,031
School examination fees (KSCE & KCPE & Grade 6/CBC Examination)	4,103	5,003	5,023.47	2,000	5,900	9,900
B Public debt (Art. 203 [1][b])	1,174,013	930,354	1,187,784	1,340,588	1,437,879	1,542,069
Other National obligations (Article. 203 [1][b])	557,863	595,269	691,149	738,456	811,376	876,111
Pensions, constitutional salaries & other	136,978	145,951	211,019	227,357	239,635	247,049
Constitutional commissions (Art. 248(2)) i.e., CRA, SRC, NLC, VPSC, IEBC, TSC	299,333	321,968	332,497	355,313	402,386	453,967
Independent offices (Art. 248(3)) - i.e., AG & CoB	6,499	6,981	8,756	8,808	9,523	9,690
Parliament	37,883	38,477	41,002	40,865	47,991	48,779
Other constitutional institutions- State Law Office and DPP	8,371	8,713	10,054	9,414	10,889	12,983
Other statutory bodies (e.g., EACC, RPP, WPA, CAJ, IPOA, VGEC)	7,036	8,462	9,002	8,911	10,375	10,904
Judiciary	17,918	18,297	22,287	22,505	27,780	29,942
Other statutory allocations/earmarked funds (e.g., NG-CDF, Affirmative Action)	43,845	46,420	56,532	65,283	62,798	62,798
D Emergencies [Art. 203 (1)(k)]	5,000	5,000	1,200	4,000	2,000	2,000
a) Contingencies	5,000	5,000	1,200	4,000	2,000	2,000

ITEM DESCRIPTION (KSh. millions)	FY 2021/2 2	FY 2022/2 3	FY 2023/2 4	FY 2024/25	FY 2025/26*	FY 2026/27**
Equalization Fund [Art. 203 (1) (g) and (h)]	6,825	7,068	10,867	8,014	9,604	15,163
Of which:						
a. Allocation in FY 2026/27	6825	7068	10867	7,867	6,867	9,602
b. Arrears				147	2,737	5,561
BALANCE TO BE SHARED BY THE 2 LEVELS OF GOVERNMENT	-51,274	542,470	577,106	447,905	368,469	330,101
County Government allocation from revenue raised nationally	377,537	375,654	391,661	394,419	427,894	438,293
Of which; -						
a) Equitable Share of Revenue	370,000	370,000	380,645	387,425	415,000	420,000
b) Additional conditional allocations financed from revenues raised nationally	7,537	5,654	11,016	6,994	12,894	18,293
Balance left for the National Government	-428,811	166,816	185,445	53,486	-59,425	-108,192

- Source: – Division of Revenue Act, 2025; and actual revenue and expenditure turnout.
- *FY 2025/26 Approved Budget Estimates
- **National Treasury Proposals

iv. Government's Fiscal Consolidation Plan

- **Hon. Chairman and Honorable Members**, the ongoing implementation of the fiscal consolidation plan by the government is aimed at reducing the fiscal deficit inclusive of grants from **5.9 percent** of GDP in FY 2024/25 to **5.3 percent** of GDP in FY 2026/27, and **3.2 percent** of the GDP over the medium-term with a strong primary surplus to stabilize growth in Public Debt.
- Furthermore, as indicated in the Bill, **Hon. Chairman and Honorable Members**, the financing gap of **KSh 108.19 billion** as shown in Table 2 of published Bill will occasion additional borrowing. Thus, any additional revenue allocation to county governments is likely to distort the fiscal framework already set out in the 2026 BPS and hence may further undermine fiscal consolidation efforts and therefore the need to keep the County Equitable Share of Revenue at **KSh. 420.00 billion** in line with the proposed fiscal framework for FY 2026/27 set out in 2026 BPS.

c) The Most Recent Audited and Approved Revenues that informs the 0.5% Allocation to Equalisation Fund –

- **Hon. Chairman and Honorable Members**, while the National Treasury had proposed an allocation of **KSh. 9.60 billion** being equal to 0.5% of the *then* most recent audited and approved revenues of FY 2021/22, in accordance with Article 204 (1) of the Constitution, amounting to **KSh. 1,920.43 billion**, the National Assembly Bill (No.2 of 2026) has on the other hand proposed an

allocation of **KSh. 10.25 billion** being equal to 0.5% of the *currently* most recent audited and approved revenues of FY 2022/23 amounting to **KSh. 2,050.11 billion**. The National Treasury *concurs with* this revision, as it is in line with Article 203(2) of the Constitution.

• However, it should be noted that the increased allocation of **KSh. 648.40 million**, to cater for increased Equalization Fund allocation occasioned by use of the most recent audited and approved revenues being those for FY 2022/23, has negatively affected equitable share of revenue to National Government allocation.

• **Hon. Chairman**, the National Treasury wishes to note that the fiscal framework for FY 2026/27 has funding provision towards Equalisation Fund amounting **KSh. 15.16 billion**. Therefore, after allocating the 0.5% Equalisation Fund entitlements amounting to **KSh. 10.25 billion** in FY 2026/27, the National Treasury proposes that the balance of **KSh. 4.91 billion** be allocated towards arrears to the Fund in FY 2026/27, down from **KSh. 5.56 billion** included in the DORB 2026 (National Assembly Bills No. 2 of 2026).

Finally, **Hon. Chairman and Honorable Members**,

d) National Government's Equitable Share of Revenue –

- Arising from the use of the most recent audited and approved revenues of FY 2022/23 amounting to **KSh. 2,050.11 billion**, the Equitable Share of Revenue allocation to the National Governments now equal to **KSh. 2,471.62 billion** as per the National Assembly Bill (No.2 of 2026), reflecting a **KSh. 648.40 million** variance from **KSh. 2,472.27 billion** proposed earlier by the National Treasury.
- The National Treasury concurs with the reduction in National Government's equitable share of revenue by **KSh. 648.40 million**, to cater for increased allocation towards Equalisation Fund, following the use of the most recent audited and approved revenues being those for FY 2022/23.

IV. CONCLUSION

- I thank you once again, **Hon. Chairman and Hon. Members** for giving me this opportunity to engage with this Committee on the **Division of Revenue**

Bill, 2026 (National Assembly Bills No.2 Of 2026). The National Treasury requests for consideration of these views.

- We remain available to support this Committee when called upon during the approval process of this Bill.
- Further, and most importantly, the National Treasury is fully committed to support county governments in performing their functions, and towards their overall contribution in the improvement of growth and development of our economy.

Hon. Chair, I submit.



HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY



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LEGISLATIVE MEMORANDUM ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILL NO.2 OF 2026)

TO

THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET

FROM

THE COUNCIL OF GOVERNORS



THE COUNCIL OF GOVERNORS,

In recognition of the fact that sovereign power of the state is exercised at two levels of government, that is, the National Government and the County Governments, whose distinctness is recognized by Article 6 (2);

In further recognition of the need to ensure that all legislation is cognizant of devolved governments; and

Aware of the need for coordinated action between the National and County Governments to ensure that legislation properly respond to the key issues, and further reflects the spirit and purpose of devolution.

Having reviewed the Division of Revenue Bill, 2026 (National Assembly Bill No.2 of 2026), the Council of Governors, on behalf of the 47 County Governments, submits the proposals highlighted herein below for consideration:

A. GENERAL COMMENTS

The Council of Governors is cognizant of the enhanced collaboration with the Senate on matters of common interest to the Counties and the strengthened commitment to deepen devolution in Kenya. The Council also appreciates the Finance and Budget Committee on its role of ensuring resources are allocated to Counties equitably as well as addressing other fiscal issues facing Counties. The Council assures the Committee of our continued support and cooperation as we forge together to protect the Counties and the citizens of Kenya. Regarding the Division of Revenue Bill, 2026, the Council makes the following comments.

1. **The Senate's Recommendation on Division of Revenue in the 2026 BPS:** - The Council takes note of the Senate's recommendation on Division of Revenue in the 2026 BPS of **Ksh.454.74 billion** as equitable share to Counties in the FY 2026/27. While we acknowledge and appreciate the general equitable share growth in the proposal, we note that it will not adequately address the Counties' budgetary requirements for the next FY. We also note that it is lower than what the Senate recommended in the 2025 BPS of Ksh.465 billion. We therefore request the Senate to review its proposal while considering the Division of Revenue Bill, 2026 to include other cost items as will be highlighted hereinbelow.



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2. **Evaluation of the Bill against Article 203 (1) of the Constitution:** - A review of the Explanatory Memorandum to the Bill indicates that the National government continues to reduce the revenue available for sharing between the two levels of government by hiving off expenditure items that only relate to the national government. For Example, in Table 2 of the Memorandum under the items categorized as “**Other National Obligations**” National government established Funds such as NG-CDF and Affirmative Action a continue to reduce the sharable revenue which is against Article 203 (1) of the Constitution. We urge that the Senate corrects this trajectory to ensure that Statutory Allocations and Earmarked Funds are deducted from the National government’s share of revenue and not the sharable revenue.
3. **Arbitrary allocation of revenue to Counties:** - We note that the National Treasury and National Assembly have been making arbitrary allocations regarding Counties equitable share as opposed to the National government’s share of revenue which is itemized as shown in Table 2 of the Explanatory Memorandum to the Bill. As part of the Explanatory Memorandum, the Senate should ensure that the Counties’ equitable share is equally supported by data and the corresponding cost items itemized before arriving at the final figure to be included in the Schedule to the Bill.
4. **Establishment of Funds by the National government:** - The National government is increasingly establishing Funds through Statute without the concurrence of the Senate despite some touching on Devolved Functions. Such Funds are then labelled as National Obligations to be funded through ordinary revenue as demonstrated in Table 2 of the Explanatory Memorandum. Such Funds eat into the revenue available for sharing thereby disadvantaging the County governments who are not part of their implementation. We urge the Senate to interrogate all the established Funds and also curb the runaway establishment of Funds in every sector.
5. **Transition of Universal Healthcare (UHC) Workers to Counties on Permanent and Pensionable Terms:** - The Council is aware of the proposal by the National Treasury to transfer the Ksh.8.9 billion earmarked for transitioning UHC Workers from the Ministry of Health to respective Counties as a conditional grant to Counties



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in FY 2026/27. However, the Council of Governors is of the contrary opinion that the money only be transferred through the Division of Revenue Bill, 2026. Further, the Council is aware that some Counties may have deficits upon application of the 4th Basis of revenue sharing on the amount. The Council's opinion is informed by the following key factors:

- i. That the Division of Revenue Act is the only legal instrument that will guarantee sustainability, continuity and stability of the allocation in the subsequent financial years.
- ii. Due to delays associated with the County Governments Additional Allocations Bill (CGAAB), the UHC Workers may be without pay until the Bill is enacted which will also mean withdrawal of services.
- iii. National government Ministries have not been honoring the conditional allocations as enacted or as per existing agreements. The Ministry of Health for Example has not been disbursing money meant for Community Health Promoters (CHPs) to the respective Counties established accounts as agreed. Instead, the CHPs money is paid directly without the view or control of the employers who are the Counties. The same applies to the conditional grant for construction of County Headquarters where money has not been disbursed for the last 3 FYs despite the existence of the CGAAA. Such precedents erode the trust and guarantee required to implement the grants.
- iv. In most cases, the CGAAB allocations are also affected by the Ministerial in-year budget revisions through Supplementary Appropriations which are not considered by the Senate.
- v. Any deficits that may arise, will be covered by the incremental allocation that will be determined as an adjustment for revenue growth in FY 2026/27.
- vi. With the growth of equitable share in the subsequent FYs, the deficit will be fully covered and regularized by the Counties.
- vii. With conditionality, the Ministry of Health may withdraw the grant in subsequent years which will threaten sustainability and continuity in perpetuity as required in the transition arrangement.
- viii. Primary Healthcare, being a devolved function, should not continue being financed through a conditional grant from the national government. Principally, the allocations belong to the County governments and should not be transferred through a conditional framework.



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B. SPECIFIC CONCERNS

The Council proposes the following specific amendment to the Division of Revenue Bill, 2026 (National Assembly Bill No.2 of 2026):

Clause/Section	Provision	CoG's Proposal	Rationale/Justification
SCHEDULE	Row B of the Schedule allocates Ksh.2,471,624,184,439 to the National Government and row D allocates Ksh.420,000,000,000 to the County Governments.	Rows B and D of the schedule be amended to allocate Ksh.2,356,665,189,804 to the National Government and Ksh.534,958,994,635 to the County Governments respectively. (See schedule below under Annex 1)	The Council's proposal for Ksh.534.96 billion allocation is comprised of Ksh.35 billion being an adjustment for revenue growth, Ksh.8,937,615,000 budget requirement to transition of the UHC Workers, Ksh.10,055,542,879 budget requirement to implement the outstanding 3rd and 4th remuneration and benefits review cycles and Ksh.65,965,836,756 identified for transfer under the first phase of delineated and gazetted devolved functions. Justification for the proposal include: Revenue growth: Kenya's economy is projected to expand by 5.3% and remain stable in 2026 and 2027. With a projected revenue growth of Ksh.262.2 billion in absolute terms and the expected macroeconomic stability, Counties allocation of Ksh.35 billion as recommended by CRA on account of an adjustment for revenue growth is fair given that the National government will get Ksh.217.6 billion increment.



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			2. Transition of UHC Workers to Counties on Permanent and Pensionable Terms: UHC Workers contracts will lapse between April 2026 and September 2026. The Ministry of Health in consultation with the Council of Governors, agreed that the workers will be transitioned to County governments in the FY 2026/27 on permanent and pensionable terms and the budget transferred through Division of Revenue in perpetuity to ensure sustainability. As such, the MOH confirmed availability of the attendant cost of Ksh.8.94 billion to be transferred to County governments (<i>Confirmation letters attached</i>). 3. Budget requirement on Review of Remuneration and Benefits for State Officers and Public Officers in County Governments for the 3rd and 4th Cycles: The Salaries and Remuneration Commission vide a letter to the Council Ref. No. SRC/TS/24/6VOL.II (108) dated 29th August 2025 (<i>Attached</i>) confirmed that County governments are in arrears regarding implementation of the 3rd and 4th Remuneration
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			and Review Cycles. The final phase of the 3rd Cycle requires Ksh.4.77 billion while the first phase of the 4th Cycle requires Ksh.5.28 billion to implement as per Annex 3 below. The National government has already implemented all cycles leaving behind the Counties. This is discriminatory and has already triggered industrial action from various County Public Officers and is expected to escalate if not implemented. 4. Financial Resources related to the unbundled and delineated functions: The first phase of identification of financial resources indicated that Ksh.65.97 billion is available for transfer to Counties from various National government MDAs as shown in Annex 4 below.
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SCHEDULE (AMENDED)

ANNEX 1: ALLOCATION OF REVENUE RAISED NATIONALLY BETWEEN THE NATIONAL GOVERNMENT AND COUNTY GOVERNMENTS FOR THE FINANCIAL YEAR 2026/27

Type/Level of Allocation	Amount in Kshs.	Percentage (%) of FY 2022/23 audited and approved Revenue i.e., Kshs.2,050,114,740,913
A. Total Sharable Revenue	2,901,874,758,144	
B. National Government	2,356,665,189,804	
C. Equalization Fund	7,852,814,725	0.50 %
D. County Equitable Share	534,958,994,635	26.09%



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ANNEX 2: PROPOSED RECOMMENDATIONS ON THE VERTICAL SHARING OF REVENUES FOR FY 2026/27

County Governments Equitable Share of Revenue 2026/27 FY	CRA Recommendation (Ksh Billion)	National Assembly Proposal (Ksh billion)	CoG Proposal (Ksh Billion)
Baseline (i.e. allocation in the previous year 2025/26)	415	415	415
Adjustment to the Baseline			
1. Adjustment for Revenue Growth	35	5	35
2. Non-discretionary cost items for FY 2026/27	8.94	0	8.94
i. Transition of UHC Workers to Counties			
ii. Budget requirement on Review of Remuneration and Benefits for State Officers and Public Officers in County Governments for the 3 rd and 4 th Cycles (In Arrears)	0	0	10.06
3. Financial Resources related to the unbundled and delineated functions identified and confirmed for transfer.	0	0	
		-	65.97
Computed Equitable share of revenue	458.94	420.00	534.96
Percentage of the last audited and approved accounts of Ksh.2,050.11 billion (For FY 2022/23)	22.39	20.49	26.09
Percentage of the total projected shareable revenue for FY 2026/27 of Ksh.2,901.97 billion	15.81%	14.47%	18.43%

Sources: Division of Revenue Bill, 2026 & CRA Recommendation for FY 2026/27



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Annex 3: Budget Requirement for Respective County Governments for the 3rd and 4th Remuneration and Benefits Review Cycles

S/No.	County	Arrears of FY 2024/2025 – (3 rd Review Cycle)	Arrears of FY 2025/2026 – (4 th Review Cycle)	Total Budget Requirement for FY 2025/2026 onwards
1.	Baringo	79,553,014	87,977,551	167,530,565
2.	Bomet	79,880,969	88,340,236	168,221,205
3.	Bungoma	144,949,428	160,299,340	305,248,768
4.	Busia	79,151,393	87,533,399	166,684,792
5.	Elgeyo-Marakwet	62,114,711	68,692,559	130,807,270
6.	Embu	66,465,040	73,503,581	139,968,621
7.	Garissa	95,442,473	105,549,678	200,992,151
8.	Homa Bay	120,696,204	133,477,739	254,173,943
9.	Isiolo	57,369,542	63,444,884	120,814,426
10.	Kajiado	102,051,188	112,858,245	214,909,433
11.	Kakamega	153,627,277	169,896,160	323,523,437
12.	Kericho	75,014,666	82,958,599	157,973,265
13.	Kiambu	196,776,415	217,614,722	414,391,137
14.	Kilifi	113,569,974	125,596,853	239,166,827
15.	Kirinyaga	59,441,141	65,735,863	125,177,004
16.	Kisii	118,497,614	131,046,322	249,543,936
17.	Kisumu	128,998,940	142,659,721	271,658,661
18.	Kitui	136,567,169	151,029,414	287,596,583
19.	Kwale	85,831,618	94,921,048	180,752,666



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20.	Laikipia	71,925,914	79,542,753	151,468,667
21.	Lamu	44,273,245	48,961,710	93,234,955
22.	Machakos	163,019,291	180,282,772	343,302,063
23.	Makueni	100,086,543	110,685,548	210,772,091
24.	Mandera	95,710,323	105,845,893	201,556,216
25.	Marsabit	84,343,801	93,275,675	177,619,476
26.	Meru	119,769,671	132,453,087	252,222,758
27.	Migori	72,999,780	80,730,340	153,730,120
28.	Mombasa	121,305,263	134,151,296	255,456,559
29.	Murang'a	97,830,623	108,190,729	206,021,352
30.	Nairobi	395,761,282	437,671,768	833,433,050
31.	Nakuru	148,172,260	163,863,464	312,035,724
32.	Nandi	69,558,724	76,924,881	146,483,605
33.	Narok	139,944,423	154,764,313	294,708,736
34.	Nyamira	69,619,136	76,991,691	146,610,827
35.	Nyandarua	53,288,295	58,931,440	112,219,735
36.	Nyeri	103,194,714	114,122,869	217,317,583
37.	Samburu	57,587,460	63,685,878	121,273,338
38.	Siaya	59,820,570	66,155,473	125,976,043
39.	Taita-Taveta	54,351,374	60,107,097	114,458,471
40.	Tana River	48,357,881	53,478,903	101,836,784
41.	Tharaka-Nithi	63,100,115	69,782,316	132,882,431



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42.	Trans Nzoia	76,269,462	84,346,276	160,615,738
43.	Turkana	135,323,778	149,654,350	284,978,128
44.	Uasin Gishu	134,668,793	148,930,003	283,598,796
45.	Vihiga	61,169,992	67,647,796	128,817,788
46.	Wajir	101,668,061	112,434,546	214,102,607
47.	West Pokot	75,822,532	83,852,016	159,674,548
	Total	4,774,942,082	5,280,600,797	10,055,542,879

Source: SRC Circular

Annex 4: Consolidated Available Budget for Transfer to Counties from Resources Identified from Delineated Devolved Functions

S/No.	SECTORS	STATE DEPARTMENTS AND AGENCIES	ESTIMATED RESOURCES AVAILABLE FOR TRANSFER (KSH.)
1	AGRICULTURE	State Department for Agriculture	12,827,067,240
		State Department for Livestock	2,580,000,000
		State Department for Fisheries and Blue Economy	4,377,520,639
	Sub-Total		19,784,587,879
2	Lands	State Department for Public Works	454,000,000
		State Department for Housing and Urban Development	3,063,865,251



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Sub-Total			3,517,865,251
3	Trade and Industry	State Department for Trade	5,530,000
		State Department for Industry	4,721,000,000
Sub-Total			4,726,530,000
4	Transport	State Department for Transport (NTSA & NAMATA)	589,180,692
Sub-Total			589,180,692
5	Culture	State Department for Culture, the Arts and Heritage	783,322,886
		State Department for Youth Affairs and Creative Economy	1,652,513,433
		NACADA	871,265,232
		Executive Office of the President	198,991,240
Sub-Total			3,506,092,791
6	Tourism	State Department for Tourism	14,012,201,050
Sub-Total			14,012,201,050
7	Water	State Department for Water and Sanitation	9,293,816,151
		State Department for Irrigation	517,000,000
Sub-Total			9,810,816,151



48 Governments | 1 Nation

8	Environment	State Department for Environment and Climate Change	439,796,186
		State Department for Forestry	40,000,000
Sub-Total			479,796,186
9	Disaster Management	State Department for Special Programs – (NDOC)	355,962,460
		State Department for ASALs Development – (NDMA)	357,304,296
Sub-Total			713,266,756
10	Health	State Department for Medical Services	8,590,000,000
		State Department for Public Health and Professional Standards	235,500,000
Sub-Total			8,825,500,000
GRAND TOTAL			65,965,836,756

Source: IGRTC Report on Resources Identified from delineated devolved functions.

Annex 5: Analysis of National government Sectoral Allocations for the FY 2026/27

Code	Sector	Approved Budget	2025/26	2026/27 Projection	BPS	Variance/Increment
010	Agriculture, Rural and Urban Development	82.40		97.01		14.61
020	Energy, Infrastructure, and ICT	534.63		594.60		59.97
030	General Economic and Commercial Affairs	58.16		62.19		4.03
040	Health	138.11		167.41		29.30



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050	Education	703.07	767.31	64.24
060	Governance, Justice, Law and Order	283.04	329.99	46.95
070	Public Administration and International Relations	321.50	354.99	33.49
080	National Security	253.77	299.98	46.21
090	Social Protection, Culture and Recreation	78.99	87.22	8.23
0100	Environmental Protection, Water and Natural Resources	95.87	106.71	10.84
	Grand Total	2,549.54	2,867.42	317.88

Source: 2026 BPS



**MINISTRY OF HEALTH
STATE DEPARTMENT FOR MEDICAL SERVICES
OFFICE OF THE PRINCIPAL SECRETARY**

Telephone: Nairobi 254-020-2717077
Fax: 254-2719008
Email: ps.medical@health.go.ke

AFYA HOUSE
CATHEDRAL ROAD
P. O Box 30016-00100
NAIROBI

When replying please quote:

REF: MOH/SDMS/FIN/BGT/ VOL III (242)

19th January, 2026

CPA Mary Chebukati
Chairperson
Commission on Revenue Allocation
NAIROBI

Dear

Madam Chair,

**RE: CONFIRMATION OF FUNDS FOR TRANSITIONING UNIVERSAL HEALTH
COVERAGE (UHC) WORKERS' SALARY TO PERMANENT AND PENSIONABLE
TERMS IN THE FY 2026/27**

The above subject refers.

Further to the letter from the Council of Governors **Ref: COG/8/5A VOL.14 (47)** and the letter from the Ministry of Health **Ref: MOH/CS/013/2025**, we wish to clarify that as resolved during the 12th National and County Governments Coordinating Summit, the cost of transitioning UHC Workers shall be factored in the 2026/27 Division of Revenue to facilitate Counties to pay them in perpetuity. The Workers are to be transitioned to Permanent and Pensionable basis on prescribed Salaries and Remuneration Commission Rates effective 1st September 2025.

The purpose of this letter is to advise the CRA to add to the Division of Revenue 2026 baseline an amount of **Ksh.8,937,615,000** which is the total requirement to transition the UHC Workers.

We look forward to your support on this matter.

Yours

[Signature]
DR. OUMA OLUGA, OGW
PRINCIPAL SECRETARY
STATE DEPARTMENT FOR
MEDICAL SERVICES

[Signature]
MARY MWITI, EBS
CHIEF EXECUTIVE OFFICER
COUNCIL OF GOVERNORS

Copy to: **Dr. Chris Kiptoo, CBS**
Principal Secretary
The National Treasury



Salaries & Remuneration
Commission

Rewarding productivity

Ref. No: SRC/TS/24/6 VOL.II (108)

29th August, 2025

H.E FCPA Ahmed Abdullahi, EGH

Chairperson

Council of Governors

Westlands Delta House, 2nd Floor, Waiyaki Way

P.O Box 40401-00100

NAIROBI

Dear

four excellency FCPA Abdullahi,

BUDGET PROJECTIONS ON REVIEW OF REMUNERATION AND BENEFITS FOR STATE OFFICERS AND OTHER PUBLIC OFFICERS FOR THE 4TH REMUNERATION AND BENEFITS REVIEW CYCLE (FY 2025/26-2028/2029)

Reference is made to the above subject matter and the Salaries and Remuneration Commission (SRC) letter Ref. No: SRC/TS/24/6 VOL.II (103) dated 14th July 2025 on implementation of phase IV of the reviewed salary structures for county governments under the 3rd remuneration review cycle that covers FYs 2021/2022 – 2024/2025.

As you are aware, implementation of phase IV salary structures under the 3rd remuneration and benefits review cycle, which was to be effective 1st July 2024, for State Officers and all other public officers in the 47 county governments at a cumulative Personnel Emoluments (PE) budget requirement of **Ksh 4,774,942,082** is in arrears. Additionally, SRC is in the process of reviewing remuneration and benefits structures in the public service under the 4th Remuneration and Benefits Review Cycle that covers FY 2025/26 – 2028/29 with a total PE budget implication of **Ksh 21,122,403,189** for the 47 County Governments to be implemented in four equal phases of **Ksh 5,280,600,797** per FY, effective 1st July 2025.

The purpose of this letter therefore, is to request the respective County Governments, through the Council of Governors, to confirm availability of PE budget under the FY 2025/2026 for implementing the salary arrears that was reviewed under the 3rd Remuneration and Benefits Review Cycle and Phase I of the 4th Remuneration and Benefits Review Cycle, as provided in the enclosed **Table**.

The Commission appreciates your continued cooperation and support as we discharge our respective mandates.

Yours

Sincerely

[Signature]

Mr. Sammy Chepkwony, CHRP (K), FIHRM, MIOD
COMMISSION CHAIRPERSON

Encl.

Copy to: **All County Governors**
All Speakers of County Assembly
All Clerks of County Assembly
All Chairmen of County Public Service Boards

Williamson House, 6th Floor, 4th Ngong Avenue. P.O. Box 43126, GPO-00100, Nairobi, Kenya. Tel: +254 (20) 2710065/71/73/81 / +254-736712864

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@SRCKE



Salaries and Remuneration Commission

Table: Budget requirement for respective County Governments in the FY 2025/26

S/No.	County	3 rd Remuneration and Benefits Review Cycle	4 th Remuneration and Benefits Review Cycle	Total Budget Requirement for salary review in FY 2025/2026
		Outstanding/Arrears Salary structure (Phase IV) - Effective FY 2024/2025	Phase I – Effective FY 2025/2026	
1	Baringo	79,553,014	87,977,551	167,530,565
2	Bomet	79,880,969	88,340,236	168,221,205
3	Bungoma	144,949,428	160,299,340	305,248,768
4	Busia	79,151,393	87,533,399	166,684,792
5	Elgeyo-Marakwet	62,114,711	68,692,559	130,807,270
6	Embu	66,465,040	73,503,581	139,968,621
7	Garissa	95,442,473	105,549,678	200,992,151
8	Homa Bay	120,696,204	133,477,739	254,173,943
9	Isiolo	57,369,542	63,444,884	120,814,426
10	Kajiado	102,051,188	112,858,245	214,909,433
11	Kakamega	153,627,277	169,896,160	323,523,437
12	Kericho	75,014,666	82,958,599	157,973,265
13	Kiambu	196,776,415	217,614,722	414,391,137
14	Kilifi	113,569,974	125,596,853	239,166,827
15	Kirinyaga	59,441,141	65,735,863	125,177,004
16	Kisii	118,497,614	131,046,322	249,543,936
17	Kisumu	128,998,940	142,659,721	271,658,661
18	Kitui	136,567,169	151,029,414	287,596,583
19	Kwale	85,831,618	94,921,048	180,752,666
20	Laikipia	71,925,914	79,542,753	151,468,667
21	Lamu	44,273,245	48,961,710	93,234,955
22	Machakos	163,019,291	180,282,772	343,302,063
23	Makueni	100,086,543	110,685,548	210,772,091
24	Mandera	95,710,323	105,845,893	201,556,216
25	Marsabit	84,343,801	93,275,675	177,619,476
26	Meru	119,769,671	132,453,087	252,222,758
27	Migori	72,999,780	80,730,340	153,730,120
28	Mombasa	121,305,263	134,151,296	255,456,559
29	Murang'a	97,830,623	108,190,729	206,021,352
30	Nairobi	395,761,282	437,671,768	833,433,050
31	Nakuru	148,172,260	163,863,464	312,035,724
32	Nandi	69,558,724	76,924,881	146,483,605
33	Narok	139,944,423	154,764,313	294,708,736
34	Nyamira	69,619,136	76,991,691	146,610,827
35	Nyandarua	53,288,295	58,931,440	112,219,735
36	Nyeri	103,194,714	114,122,869	217,317,583
37	Samburu	57,587,460	63,685,878	121,273,338
38	Siaya	59,820,570	66,155,473	125,976,043
39	Taita-Taveta	54,351,374	60,107,097	114,458,471
40	Tana River	48,357,881	53,478,903	101,836,784
41	Tharaka-Nithi	63,100,115	69,782,316	132,882,431
42	Trans Nzoia	76,269,462	84,346,276	160,615,738
43	Turkana	135,323,778	149,654,350	284,978,128
44	Uasin Gishu	134,668,793	148,930,003	283,598,796
45	Vihiga	61,169,992	67,647,796	128,817,788
46	Wajir	101,668,061	112,434,546	214,102,607
47	West Pokot	75,822,532	83,852,016	159,674,548
	Total	4,774,942,082	5,280,600,797	10,055,542,879

Appendix IV: Summary of Attendant Resources Identified by IGRTC for Transfer to Counties

	Projects/Programmes	Attendant Resources-Ksh.
1.	Agriculture: Fourteen projects and programmes were identified for transfer to County Governments as follows:	12,827,067,240
	i. Fertilizer Subsidy Programme	
	ii. Development of Aggregation Centers	
	iii. Headquarters Land and Crop Development Services	
	iv. Food Security and Crop Diversification Project - BETA Market investment projects in local forums	
	v. Kenya Cereal Enhancement Programme	
	vi. Resilience for Food & Nutrition Security Program in Horn of Africa	
	vii. Crop Post-Harvest Management	
	viii. Smallholder Horticulture Empowerment Project (SHEP Biz)	
	ix. Kenya Agricultural Business Development Project	
	x. Small Scale Irrigation and Value Addition Project	
	xi. Banana enterprise financing project	
	xii. Cashew nut revitalization project	
	xiii. Cotton industry revitalization	
	xiv. National edible oil crops promotion project-BETA	
2.	Livestock: Six programmes and projects were identified for transfer to County Governments:	2,580,000,000
	i. Livestock Technical Training - Support Services	
	ii. Livestock Value Chain Support Project-BETA	
	iii. De-Risking, Inclusion & Value Enhancement of Pastoral Economies-BETA	
	iv. Leather Value Chain Promotion Programme-BETA	
	v. Kenya Leather Development Council	
	vi. Public Participation Projects (Livestock Restocking in Baringo North Constituency)	
3.	Blue Economy and Fisheries: Nine programmes and projects were identified for transfer to County Governments:	4,377,520,639
	i. Aquaculture Business Development project - BETA	
	ii. Rehabilitation of Fish Landing Sites in L. Victoria – BETA	
	iii. Coastal Fisheries Infrastructure Development	
	iv. Development of Blue Economy Initiatives- BETA	
	v. Construction of Fisheries, Monitoring Control and Surveillance Centre	
	vi. Kenya Marine Fisheries & Socio-Economic Development Project- BETA	
	vii. Fish Marketing Authority	
	viii. Fisheries Technical Services	
4.	Public Works: Conditional grant for the construction of county headquarters in Lamu, Nyandarua, Tana River, Tharaka Nithi and Isiolo counties	454,000,000
5.	Housing and Urban Development: Three programmes were identified for transfer to county governments as follows:	
	i. Houses related to devolved functions (8,062) were identified and gazetted by IGRTC vide Gazette Notice Vol. CXXVII no. 188 of 5 th September 2025 for transfer to counties.	Transfer of asset (House) in specific counties
	ii. The allocation of at least 0.5% of the affordable housing funds by Affordable Housing Board (AHB) as per the Act	93,418,215
	iii. National Housing Corporation (NHC) has a developmental allocation of KES 2,970,447,000 in the FY 2025/2026 from the national housing developmental fund that relate to houses assigned to county governments.	3,063,865,251

	Projects/Programmes	Attendant Resources-Ksh.
6.	Trade: Six programmes and projects were identified for transfer to County Governments:	5,530,000
	i. Surveillance of weighing and measuring instruments for compliance with the Weights and Measures Act	
	ii. Surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act and Trade Descriptions Act	
	iii. Undertake stakeholder awareness creation and sensitization workshop's	
	iv. Conduct consumer protection surveillance of prepacked goods and value chains (tea; coffee; meat; leather; dairy; construction and building materials; rice; edible oils) for compliance with Weights and Measures Act and Trade Descriptions Act	
	v. Collect A-in-A from verification of weighing and measuring equipment	
	vi. No of traders/ manufacturers sensitized on consumer protection	
7.	Industries: Eleven programmes and projects were identified for transfer to County Governments:	4,721,000,000
	i. Value chain resource identification towards supporting CAIP sustainability in counties coordinated	
	ii. Value chain profiling to evaluate on competitiveness and develop county specific business plans for 13 CAIPs coordinated	
	iii. Provide Business Development services and information to target beneficiaries in the Counties	
	iv. Support in the distribution of BT Cotton in 24 Cotton growing Counties	
	v. Mobilize Local Textile Manufacturers to Participate in marketing forums	
	vi. Capacity Build Leather Value Chain actors on improving the quality of Hides, Skins, leather and leather Products	
	vii. Support establishment of Phase one CAIPS Agro processing of value chains	
	viii. Undertake period updates on Agro Value chains in CAIPs	
	ix. Development of Micro and Small Industries Clusters in 2 Counties (Nairobi and Nakuru)	
	x. Conduct capacity building of start-ups and innovators in selected counties	
8.	Transport: Resources identified in NTSA and NAMATA	589,180,692
	i. Multi-agency enforcement operations and sensitization of vulnerable road users	
	ii. Development of Non-Motorized Transport (NMT) facilities within the NMA and Public Transport Technical BRT Assistance	
9.	Culture, The Arts and Heritage: Three programmes were identified for transfer to county governments as follows:	783,222,886
	i. Archives and documentation was allocated for Refurbishment of Archives offices in counties (Kakamega, Kisumu, Mombasa, Nyeri, Nakuru and Nairobi).	36,980,000
	ii. Performing Arts	444,297,548
	iii. Lottery Control and Policy	148,000,000
10.	Youth Affairs and Creative Economy:	1,652,513,433
11.	Executive Office of the President: Strategic Policy Advisory Services	198,991,240
12.	National Authority for the Campaign Against Alcoholism (NACADA): National Campaign Against Drug and Substance Abuse	871,265,232
13.	State Department for Tourism: Five programmes were identified for transfer to county governments:	14,012,201,050
	i. Destination Marketing	402,288,000
	ii. Tourism Promotion	390,000,000
	iii. Mama Ngina Waterfront management board	16,313,050
	iv. Tourism Fund	8,193,000,000

	Projects/Programmes	Attendant Resources-Ksh.
	v. Tourism Promotion Fund	5,010,000,000
14.	Water and sanitation Small Town Funds and the Water and Sanitation Development Programme	9,810,816,151
	i. Water and sanitation projects in various counties	9,293,816,151
	ii. Irrigation projects under the Irrigation Expanded Irrigation Programme	517,000,000
15.	State Department for Environment: Three programmes were identified for transfer to county governments:	439,796,186
	i. Forest Management for Improved Biodiversity Conservation & Climate	129,796,186
	ii. Community Livelihood Improvement Programme (CLIP)	10,000,000
	iii. Enhancing Community Resilience & Water Security under National Environment Management	300,000,000
16.	State Department for Forestry: Two programmes were identified for transfer to county governments:	40,000,000
	i. Suswa Lake Magadi - Migori Environment Restoration Project under Forests Resources Conservation and Management	10,000,000
	ii. Farm and Dryland Forest Development under Forests Resources Conservation and Management	30,000,000
17.	State Department for Special Programs- NDOC: Three programmes were identified for transfer to county governments:	355,962,460
	i. NDOC-Recurrent	30,560,000
	ii. Relief assistance	159,800,000
	iii. NDMA	133,000,000
18.	State Department for Medical Services: Managed Equipment Service-Hire of Medical Equipment for 98 Hospitals	8,590,000,000
19.	Public Health and Professional Standards: 12 projects were identified for transfer to county governments:	235,500,000
	i. Sura Adoru Health Center – Samburu	10,000,000
	ii. Loosuk Health Center – Samburu	20,000,000
	iii. Lolkuniyani Maternity Health Centre – Samburu	8,000,000
	iv. Lkwasi Health Centre – Samburu	20,000,000
	v. Upgrading of Chemelil (Potopoto) Health Centre	50,000,000
	vi. Mikumbune level IV Hospital	20,000,000
	vii. Kinoro level IV Hospital	20,000,000
	viii. Khwisero level IV Hospital	20,000,000
	ix. Chwele level IV Hospital	20,000,000
	x. Tulwet Primary Hospital	15,000,000
	xi. Bikeke Primary Hospital	15,000,000
	xii. Mt. Elgon IV Hospital	20,000,000
	Total	65,965,836,756

Source data: IGRTC



JOINT ICPAK–BAJETI HUB SUBMISSION ON THE DIVISION OF REVENUE BILL, 2026 TO THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET

National Assembly Bills No. 2 of 2026
Submission Date: March 26, 2026

Contact Persons:

Bajeti Hub:

Dr. Abraham Rugo Muriu
Executive Director, Bajeti Hub
Email: arugo@bajetihub.org
Mobile: +254721431083

Institute of Certified Public Accountants of Kenya (ICPAK)

CPA Dr. Grace Kamau, PhD,
Chief Executive Officer
Email: grace.kamau@icpak.com

About the Institute of Certified Public Accountants of Kenya (ICPAK)

1. The Institute of Certified Public Accountants of Kenya (ICPAK) is a statutory body established under the Accountants Act, 1977 (repealed in 2008) to regulate and develop the accountancy profession in Kenya. ICPAK serves as the umbrella body that oversees the activities of qualified and registered Certified Public Accountants (CPAs) in Kenya. The institute's mandate is to protect and uphold public interest as well as develop and regulate the accountancy profession in Kenya. The Institute has over 39,000 members both in public and private sectors of the economy.
2. Specifically, Section 8 of the Accountants Act mandates the Institute to undertake the following functions:
 - a. promote standards of professional competence and practice amongst members of the Institute.
 - b. promote research into the subjects of accountancy and finance and related matters, and the publication of books, periodicals, journals and articles.
 - c. promote the international recognition of the Institute.
 - d. advise the Examinations Board on matters relating to examinations standards and policies.
 - e. advise the Cabinet Secretary on matters relating to financial accountability in all sectors of the economy.
 - f. prescribe the remuneration order for the accountancy profession with the approval of the Cabinet Secretary responsible for finance.



About Bajeti Hub

Bajeti Hub is a Kenyan non-profit organization working to advance transparency, accountability, participation, and equity in national and county budgeting processes. Bajeti Hub's work is focused on strengthening the impact of civil society advocacy and citizens on budget policies and outcomes at both levels of governance in Kenya. Through deep and sustained engagement, Bajeti Hub provides support to build expertise and skills of civil society actors and citizens involved in budget advocacy. Citizen advocacy, generation of evidence, technical assistance, learning, and networking are all integral components of Bajeti Hub's work.

INTRODUCTION

The establishment of county governments under the 2010 Constitution in Kenya, was a major transformation aimed at decentralizing governance and ensuring that services are delivered closer to the people. The Constitution further directs that the National Government allocate at least 15% of the total revenue collected annually to the counties for them to be able to carry out their functions. Table 1 below provides the trend in the percentage of total sharable revenue across the two levels of government. It is noted that from 2024 onwards, county allocations have fallen below the constitutional threshold, with the share declining to its lowest point of 14.74 % in 2025, and the BPS further projecting a reduction to 14.08%.

Table 1: Analysis of Division of Revenue Acts and BPS Projection

Revenue Share	DORA 2018	DORA 2019	DORA 2020	DORA 2021	DORA 2022	DORA 2023	DORA 2024	DORA 2025	BPS 2026
Total Sharable Revenue	1,688.0	1,877.0	1,856.0	1,775.0	2,141.0	2,571.2	2,602.1	2,835.0	2,982.3
National Government Share	1,369.0	1,554.0	1,533.0	1,398.0	1,764.0	2,177.4	2,214.3	2,480.9	2,552.7
County Equitable share	314.0	316.0	316.0	370.0	370.0	385.4	385.0	418.0	420.0
% Of County Government to Total Sharable	18.6	16.8	17.0	20.8	17.3	23.0	14.80	14.74	14.08
% Of National Government	81.1	82.8	82.6	78.8	82.4	77.0	85.10	87.51	85.60

to	Total								
Sharable									

Source: Division of Revenue Acts and BPS 2026

Additionally, the Fourth Schedule of the Constitution outlines the functions of both national and county governments, **emphasizing the need for cooperation and coordination between the two levels of government.** Further, there has been the need to clarify the resources required to effectively deliver these constitutionally assigned functions at both levels.

Article 187 (2) of the Constitution also provides that if a function or power is transferred from a government at one level to a government at the other level then arrangements shall be put in place to ensure that the resources necessary for the performance of the function or exercise of the power are transferred in line with the 'finance follows functions' principle. A central element of this process is the costing of functions; an exercise aimed at estimating the financial resources necessary to implement the functions allocated under the Fourth Schedule of the Constitution. This cost enables evidence-based revenue allocation, ensuring that funding follows responsibilities and supports equitable and efficient service delivery.

The Commission on Revenue Allocation (CRA) published a report in 2015, aimed at estimating the cost of some functions which included foreign affairs, foreign policy and international trade; transport and infrastructure; agriculture, livestock, and fisheries; health; and water, environment and natural resources this was to assist in informing the revenue sharing framework and guide fiscal planning.

GENERAL SUBMISSIONS

SUBMISSION 1: REDEFINING SHAREABLE REVENUE AND CONSTITUTIONAL ALIGNMENT

The Constitution of Kenya provides for the "**Equitable Sharing of National Revenue**" not "**Shareable Revenue.**" This distinction is legally significant. The current framework conflicts between the two concepts, creating ambiguities in how funds are classified, disclosed, and distributed between the national and county levels of government.

- Debt servicing of approximately Kshs 1.6 trillion in the proposed FY 2026/27 is treated as a first charge on revenue. The top-slicing of sharable revenue for debt servicing reduces the revenue available for counties to invest in service delivery thus undermining the core principles of devolution. It is also worth noting that the distribution of debt-financed programmes and projects is not subject to an equitable formula.
- Consolidated Fund Services (CFS) further comprises, salaries of constitutional offices, and pensions. This drastic increase materially reduces the pool available for equitable sharing.



- National government-created funds such as the Social Health Insurance Fund (SHIF) remain ambiguously classified. Given that health is a substantially devolved function, it must be determined whether SHIF contributions form part of the shareable revenue pool.
- Appropriations-in-Aid (AIA) collected through Ministries, Departments and Agencies (MDAs) are significantly under-disclosed, yet materially affect the available revenue for equitable sharing.

Recommendations

- The Senate Standing Committee on Finance And Budget should consider an increase in the County Equitable Share of approximately kshs. 48 billion (11.6%) for FY 2026/27, consistent with the projected 13% growth in ordinary revenue. While the national government's allocation grows by 13%, county governments receive only a 1% increase from Kshs. 415 billion to Kshd.420 billion a disparity that is neither equitable nor defensible.
- The Senate Standing Committee on Finance And Budget should question the Division of Revenue framework, especially on Equitable Sharing and define the boundary between funds for national strategic interventions and funds for devolved functions.

SUBMISSION 2: COSTING AND TRANSFER OF DEVOLVED FUNCTIONS

Why does costing of functions matter?

Funds cannot accurately follow functions if those functions and the standards are not clearly defined, properly costed, and fully transferred to the appropriate level of government. Accurate costing strengthens accountability by enabling oversight institutions such as the Office of the Controller of Budget (OCOB) and Parliament to assess whether allocations in the Division of Revenue and County Allocation of Revenue Acts are sufficient to **meet service delivery obligations**, and whether deviations in sector performance stem from funding inadequacies rather than implementation failures. In the absence of robust function costing, constrained revenue performance risks translating into underfunded mandates, blurred responsibilities, and weakened service delivery outcomes across devolved sectors.

The Commission on Revenue Allocation (CRA) has demonstrated through its costing study that devolved functions are often underfunded relative to their actual cost of delivery, contributing to service gaps and persistent sector underperformance. Similarly, findings from the Intergovernmental Relations Technical Committee (IGRTC) on unbundled functions have shown that several devolved functions continue to be implemented at the national level without the transfer of commensurate resources, undermining equity and distorting the equitable share.

The equitable share in the current DORB does not factor in transfer of functions to county governments.

Through the Kenya Gazette Vol. CXXVI – No. 219 of 16th December 2024, County Governments were expected to take up 500 functions and or elements of functions following delineation of functions by IGRTC. IGRTC then embarked on a process to identify corresponding human and financial resources. According to the CRA recommendation¹ at least **Kshs. 65.97 billion more** should be allocated to counties, the cost of several elements of devolved functions being held by the by the National Government as identified by IGRTC so far. Resolution 2 of the **12th Summit held on December 10, 2025**, further affirmed that the unbundled and delineated functions should form part of the basis for Division of Revenue for FY 2026/27.

Recommendations

- There is need for the Senate Standing Committee on Finance And Budget to establish a formal costing framework for every devolved function, prioritizing key sectors: health, agriculture, and education. This will give clarity on the cost of delivering services in the sectors with functional assignment.
- Also, where costing is complete, transfer funds and the required, particularly for salary costs such as UHC workers (KSh 8.94 billion required for permanent and pensionable terms). Ensure that the transfer of functions is accompanied by full attendant resources, including administrative and operational costs not merely historical allocation figures.

SUBMISSION 3: Harmonized and Accurate Revenue Forecasting

Persistent inaccuracies in revenue projections averaging a 9% miss in targets have contributed to late quarterly disbursements and disrupted service delivery at the county level. Paradoxically, actual revenue collections have grown by an average of 11% annually, suggesting that the problem is not insufficient revenue, but overly ambitious and poorly calibrated projections. In addition, divergent forecasting models used by the National Treasury, KIPPRA, the Parliamentary Budget Office may have varying figures on the correct/ reliable predictable accurate revenue projection.

Recommendations

- There is need for the Senate Standing Committee on Finance And Budget to commission a harmonized revenue forecasting framework incorporating AI and machine learning tools to identify systemic disconnects across existing models. This will ensure there is more predictable and accurate revenue projection.
- In addition, the Senate Standing Committee on Finance And Budget should mandate cross-institutional reconciliation of forecasts between the National Treasury, KIPPRA, the Parliamentary Budget Office, and CRA before the Division of Revenue Bill is tabled.
- Of importance, incorporate automatic conditions that should protect county disbursements be disbursed on time as per the schedule, considering the emergent issues or economic shocks.

¹ cra.go.ke/wp-content/uploads/2026/01/CRA-RECOMMENDATION-ON-THE-BASIS-FOR-EQUITABLE-SHARING-OF-REVENUE-FY2026-2027.pdf

SUBMISSION 4: USE OF OUTDATED AUDITED REVENUE DENIES COUNTIES RESOURCES (2021/22)

While the latest audited accounts of revenue by the Office of the Auditor General is for the 2023/24² Financial Year, the audited revenue of accounts that is used as the basis for the Division of Revenue Bill 2026 is for the 2021/22 Financial Year. The total ordinary revenue for the 2023/24 Financial Year according to the Budget Policy Statement is Kshs. 2.289 trillion as compared to the revenue of Kshs. 1.920 trillion realized in 2021/22. In the case we used the latest audited accounts as the basis for Division of Revenue, at the current proportion of 21.9%, **counties should receive at least Kshs. 501 billion** in the 2026/2027 financial year.

Table 2: Revenue lost by Counties due to use of FY 2021/2022 Audited Revenue

FY	Ordinary Revenue (Kshs. Billion)	Constitutional Minimum of 15% (Kshs. Billion)	Current Proportion of 21.9% (Kshs. Billion)	Revenue lost by counties (Kshs. Billion)
2021/22	1,918	288	420	
2022/23	2,041	306	446	26
2023/24	2,289	343	501	81
2024/25	2,420	363	530	110
2025/26 (Proj.)	2,744	412	601	181
2026/27 (Proj)	2,902	435	636	216

It is also worth noting that, due to delayed disbursements of equitable share and low capacities of counties to absorb their budgets, the proportion of public expenditure on counties declines substantially during budget implementation as seen in the analysis of Budget Review and Outlook Papers² (BROP) in Table 3. For the last 3 years, expenditure in counties has been below 15% -lower than the constitutional threshold and far lower than the OECD Countries³ where Sub-national government expenditure accounts for 40% of total public expenditure on average.

Table 3: County Expenditure as a Share of Total National Expenditure

FY	Total National Expenditure (Kshs. Billion)	County Expenditure (Equitable share and Grants) (Kshs. Bn)	County expenditure as a share of total national expenditure (%)
2022/23	3,221	416	12.92%

² Budget Review and Outlook Paper | The National Treasury

³ Subnational government expenditure | OECD

2023/24	3,605	380	10.54%
2024/25	3,976	444	11.16%

Source: National Treasury- Budget Review and Outlook Papers

Comparative data by OECD⁴ also shows that Kenya's sub-national government expenditure as a % of the GDP is 3.75% far below peer countries like South Africa 18.87%, Ethiopia 7.82% and Nigeria (4.15).

Recommendations

- The Senate Standing Committee on Finance And Budget should expedite approval of the audit reports to update the basis for division of revenue.
- Also, demand for timely disbursement of equitable share to counties and put in measures to ensure counties receive these resources as per disbursement schedule.
- Further the committee should establish a statutory safeguard to prevent county allocations from falling below the 15% constitutional threshold, except under clearly defined and temporary fiscal distress conditions approved by Parliament.

SUBMISSION 5: UPDATING THE EQUALIZATION FUND AND FASTTRACKING DISBURSEMENTS

The administrative challenges surrounding the Equalization Fund remain unclear, particularly the factors contributing to its low disbursement rate over the past decade. Unlike other funds aimed at supporting service delivery and addressing marginalization such as the Constituency Development Fund, Affirmative Action Social Development Fund, Women Empowerment Fund, Youth Enterprise Development Fund, and National Drought Emergency Fund, the Equalization Fund appears to be less effective in achieving its intended purpose. Understanding the underlying reasons behind this disparity is crucial for improving its functionality and impact.

The BPS indicates projects an allocation of Ksh. 9.6 billion and arrears of Ksh. 5.56 billion (total of Ksh. 15.15 billion) in FY 2026/27. For the previous years there have been arrears, coupled with challenges for example the reliance on outdated revenue baselines may limit the fund's effectiveness.

⁴ [Compare Your Country - SNG-WOFI](#)

Financial Year	Approved Audited Revenues (Kshs.)	Amount of Equalisation Fund Entitlement (Kshs.)	Amount Transferred to the Fund (Kshs.)
2011/2012	468,151,970,000	2,340,759,850	
2012/2013	529,300,000,000	2,646,500,000	
2013/2014	529,300,000,000	2,646,500,000	
2014/2015	776,900,000,000	3,884,500,000	6,400,000,000
2015/2016	776,900,000,000	3,884,500,000	
2016/2017	776,900,000,000	3,884,500,000	6,000,000,000
2017/2018	776,900,000,000	3,884,500,000	
2018/2019	776,900,000,000	3,884,500,000	
2019/2020	776,900,000,000	3,884,500,000	
2020/2021	1,357,698,000,000	6,788,490,000	
2021/2022	1,357,689,000,000	6,788,490,000	
2022/2023	1,413,694,840,000	7,068,474,200	
Total	10,317,233,810,000	51,586,214,050	12,400,000,000

Source: Auditor General Report 2024

Other key concerns on effectiveness of the equalization fund

- Disbursement arrears to counties currently stand at Kshs. 2.8 billion from FY 2024/25 and the running FY 2025/26 — these must be urgently resolved. The BPS shows arrears exceeding **Kshs. 5 billion** overall.
- There is currently no 3rd Marginalization Policy in place to guide fund allocation priorities.
- While the 2nd marginalization policy was progressive in identifying sub-locations that are marginalized areas to the sub-locational level, due to small allocation and delayed disbursements, the equalization fund is spread so thin (targeting 1,424 areas) that it might not realize the intended impact by its sunset.
- There is weak coordination with county governments hence limited complementarity with the equitable share.
- Different counties have genuinely different priorities in water, education, health, and infrastructure the evaluation metrics used must reflect this diversity.

Recommendations

- The Senate Standing Committee on Finance and Budget should expedite the approval process of audited financial statements and update the Equalization Fund calculation base to use FY 2023/24 audited revenues
- Further, resolve all disbursement arrears (Kshs. 2.8 billion) before the end of FY 2025/26
- The committee should task the national treasury to provide a detailed payment plan for unremitted funds to track disbursement effectiveness.
- The committee should support the Commission on Revenue Allocation on the development of the 3rd marginalization Policy and ensure its gazettment of a 3rd Marginalization Policy that reflects current regional disparities.

- The committee should review project evaluation metrics to accommodate county-specific priorities rather than uniform national indices.
- The committee should further follow up the national treasury to implement monitoring mechanisms to ensure funds are used for their intended purposes in marginalized areas

SUBMISSION 6: COUNTY EMERGENCY FUNDS

Kenya faces escalating climate-related risks, including recurring droughts in arid and semi-arid counties and flooding in others. The current emergency response architecture anchored in a KSh 2 billion national allocation — is reactive, inadequate, and lacks a structured county-level component. While it's a shared responsibility, as it is, county governments are always the first responders. However, more often than not, the demand for emergency services far outweighs the allocations to their emergency funds.

International Best Practice- Mexico's FONDEN: Mexico's former Natural Disaster Fund (FONDEN) provides a replicable model. Key features included: a dedicated percentage of the federal budget set aside for disasters; pre-determined trigger mechanisms (e.g., rainfall thresholds) that allowed immediate access without political approval; an inter-institutional coordination framework; and over time, the integration of innovative market-based instruments such as catastrophe bonds to manage extreme loss events.

Recommendations

- The Senate Standing Committee on Finance And Budget should mandate the creation of County Emergency Funds in all 47 counties, with a minimum statutory allocation defined as a percentage of each county's equitable share.
- Increase the national emergency allocation beyond the current KSh 2 billion to support both reactive mitigation and proactive preventive measures.
- Develop pre-set trigger mechanisms for emergency fund access, reducing dependency on supplementary budgets and political processes.
- Explore catastrophe bond and risk transfer instruments for extreme climate events, informed by the FONDEN experience.

SUBMISSION 7: ACCOUNTABILITY AND RESOURCE DISBURSEMENT

Despite formal compliance indicators showing positive results, counties continue to face a gap between allocated resources and service delivery capacity. Resources transferred are frequently not accompanied by clear, unbundled function-level tracking, making it difficult to assess actual impact.

- With projected GDP growth of 5.3%, resource sharing must adjust in line with the expanding revenue envelope — including inflation adjustments to maintain real purchasing power at the county level.



- Mismatch between service delivery realities and demands persists. Compliance looks satisfactory on paper, yet counties remain resource-constrained relative to their assigned mandates.
- There is no systematic linkage between each shilling transferred and the specific function it is intended to fund.

Recommendations

We recommend that the Senate Standing Committee on Finance And Budget to:

- Require that every transfer to counties be tied to a specific, unbundled function, with corresponding service delivery benchmarks.
- Incorporate inflation adjustors into the equitable share formula to protect the real value of county allocations as the economy grows.
- Establish a performance and accountability reporting framework that measures visible social and economic impact on citizens — not merely financial compliance.
- Protect county disbursements from interruption due to national fiscal pressures, including a statutory minimum disbursement schedule enforceable through the Controller of Budget.

SUBMISSION 8: APPROPRIATIONS IN AID

The sharing of revenue between the two levels of government is anchored by Articles 217 and 218 of the Constitution of Kenya. Article 217 provides for the basis for allocating among counties the share of national revenue that is annually allocated to the county level of government. Additionally, Article 218 provides for an annual Division of Revenue Bill, which divides revenue raised by the national government among the national and county levels of government in accordance with this Constitution.

However, not all revenue is made available for sharing between the two levels of government due to some commitments. Part of the government budget that is not generally available for sharing between national and county governments is Appropriations in Aid (AiA) and the Consolidated Fund Services. Majority of AiA is in the form of loans and grants that cannot be easily shared with counties because they are generated through contracts between international donors and the national government. Unless donors/creditors agree to redistribute these funds to counties, they are not available for sharing. Recent trends highlight increasing prominence of Appropriations in Aid as a revenue stream. However, it still remains outside the equitable sharing pool.

Over the period under review, AiA has grown steadily both in absolute terms and as a share of total nationally raised revenue. As shown in the table below, AiA increased from Kshs. 221.7 billion in FY 2020/21 to a projected Kshs.585.1 billion in 2026/27, outpacing the growth of sharable revenue over the same period.

When AiA is combined with shareable revenue, the government's revenue envelope increases substantially. For example, in FY 2025/26, total shareable revenue stands at KES 2,835 billion but

rises to KES 3,401.9 billion once AIA is included, an uplift of Kshs.566.1 billion that is currently excluded from the revenue-sharing framework.

Revenue Share	BPS 2026(Proj.)	DORA 2025/26	DORA 2024/25	DORA 2023/24	DORA 2022/23	DORA 2021/22	DORA 2020/21
Total Sharable	2,982.3	2,835.0	2,602.1	2,571.2	2,141.0	1,775.0	1,856.0
Appropriation in Aid	585.1	566.9	503.4	413.7	313.9	263.0	221.7
Sharable Revenue+ AIA	3,567.4	3,401.9	3,105.5	2,984.9	2,453.9	2,038	2,077.7
Estimated county equitable share from AIA inclusion	502.29	501.44	459.61	686.53	424.52	423.90	353.21
County Equitable Share	420.0	418.0	385.0	385.4	370.0	370.0	316.0
Counties Gain from AIA inclusion	82.29	83.44	74.61	301.13	54.52	53.9	37.21
% of County Government to Total Sharable revenue without AIA	14.08	14.74	14.80	23.0	17.3	20.8	17.0
% of National Government to Total Sharable Revenue	85.60	87.51	85.10	77.0	82.4	78.8	82.6

Source: BPS and DORA (2020/21- 2025/26)



The estimated county equitable share from the inclusion of AIA illustrates the scale of the effect of inclusion of AIA into the sharable pool. If AIA were treated as part of the shareable revenue base, counties would receive an additional average of 80 billion over the past three financial years.

In FY 2025/26 alone, inclusion of AIA would imply an allocation of Kshs. 501.44 billion for county governments, an amount that exceeds the total equitable share allocated to counties for the year by Kshs.83.44 billion. Even in years with lower AIA levels, such as FY 2020/21 and FY 2021/22, the implied additional county allocation remains above 50 billion, highlighting the structural magnitude of the issue.

The implication and insights from the analysis reveal that:

1. Appropriations in Aid have grown faster than conventional sharable revenue, increasing their fiscal significance over time.
2. When AIA is combined with sharable revenue, the effective national revenue base is substantially larger than what informs equitable share allocations.
3. Counties' actual equitable shares remain relatively flat despite the expansion of nationally raised revenue through AIA.
4. Hypothetical inclusion of AIA in the revenue-sharing base would materially increase county allocations in all years reviewed.
5. The national government consistently retains over 75% of total sharable revenue, reinforcing vertical fiscal imbalance.
6. Continued exclusion of AIA from the sharing framework risks undermining the equity objectives underpinning devolution.

Recommendations

To address the growing revenue collection through Appropriations in Aid and need for quality service delivery responsibilities, we propose that the Senate Standing Committee on Finance And Budget to:

1. Strengthening transparency and reporting of AIA collections by requiring National Treasury to publish quarterly, disaggregated AIA outturns alongside ordinary revenue, enabling oversight institutions and counties to track performance against projections.
2. Empower CRA to issue binding advisory opinions on AIA treatment, clarifying whether specific AIA streams are functionally national or devolved and therefore eligible for inclusion in the sharable pool.
3. Align AIA policy with affordability and equity considerations by subjecting new or expanded fees and charges to distributive impact assessments before approval in the budget process.
4. Monitor trends in Appropriations-In-Aid (AIA) collection post-merger of state corporations to ensure they maintain financial autonomy and operational stability.
5. Protect county fiscal space by ring-fencing AIA from devolved services and aligning it with county service delivery responsibilities.



COUNTY ASSEMBLIES FORUM (CAF)

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MEMORANDUM TO THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET ON THE DIVISION OF REVENUE BILL, 2026, (NATIONAL ASSEMBLY BILLS NO.2 OF 2026)

TO: Mr. Jeremiah Nyegenye, CBS, Clerk of the Senate, Parliament
of Kenya.

FROM: The County Assemblies
Forum.

DATE: 26th March, 2026

1.0 Introduction

1.1 The County Assemblies Forum [CAF] is the coordinating body of the 47 County Assemblies in Kenya. CAF seeks to institutionalize the law making, representation and oversight capacities for the County Assemblies in Kenya and form linkages with other arms of government. The primary mandate of CAF is to promote networking and synergy amongst the 47 Assemblies, coordinate intergovernmental relations and enhance good practice in legislative development.

1.2 This memorandum presents CAF's position on the proposed equitable share revenue for the county governments for the FY 2026/2027 and sets forth reasoned and evidence-based recommendations to guide deliberations on the Division of Revenue Bill, 2026.

2.0 Background

The Division of Revenue Bill, 2026 proposes the allocation of equitable share to county governments as follows:

Type of allocation	Amount	Percentage (%) of FY 2022/23 audited and approved Revenue i.e. Ksh.2,050,114,740,913
A. Total Shareable Revenue	2,901,874,758,144	
B. National Government	2,471,624,184,439	
C. Equalisation Fund	10,250,573,705	0.50%
D. County equitable share	420,000,000,000	

Source: National Treasury

2.1. Commission on Revenue Allocation (CRA) recommendation:
Ksh.458.94 billion- **22.38% of the audited accounts.**

2.2. National Treasury proposal: KShs.420 billion- **20.49% of the audited**

account

2.3. **County Assemblies Forum (CAF) position: Ksh.470 billion- 22.92% of the audited account**

2.4. In the current financial year 2025/2026, counties were allocated Ksh.415 billion as their equitable share. For the next financial year 2026/2027, the Commission on Revenue Allocation recommends an allocation of Ksh.458.94 billion, while the National Treasury proposes Ksh.420 billion, with CRA proposing an approximated additional Ksh.43 billion compared to the National Treasury's Ksh.5 billion, resulting in a variance of about Ksh.38 billion.

2.5. CAF proposes an enhanced equitable share of **Ksh.470 billion**, on the basis that this allocation is more reflective of the realities on the ground and the increasing obligations of county governments.

3.0 CAF Position on the Division of Revenue Bill, 2026

3.1 CAF proposes an **equitable share of Ksh.470 billion** to County Governments for the Financial Year 2025/26. This figure is based on a realistic assessment of current county-level obligations, inflationary pressures, the need to anchor new devolved functions, and the necessity of safeguarding constitutional principles of devolution and equity.

4.0 Justification for CAF's Proposal of Ksh.470 billion

4.1. **Budget Requirement for Review of Remuneration and Benefits for County Public Officers (3rd and 4th Cycles)**

4.1.1. The Salaries and Remuneration Commission, through its communication Ref. No. SRC/TS/24/6 VOL. II (108) dated 29th August 2025, confirmed that county governments have pending obligations in implementing the 3rd and 4th remuneration review cycles. The final phase of the 3rd Cycle requires **Ksh. 4.77 billion**, while the initial phase of the 4th Cycle requires **Ksh. 5.28 billion**, yet these have already been fully implemented at the national level.

4.2. Alignment with the Principles of Article 203 of the Constitution

- 4.2.1. Article 203(1)(d) of the Constitution requires that revenue allocation take into account the fiscal capacity and efficiency of county governments. Further, Article 203(2) mandates a minimum of 15% of the latest audited and approved national revenue to be allocated to counties. The proposed Ksh.470 billion represents approximately 22.9% of the last approved revenue FY 2022/23, thereby aligning with both the spirit and letter of Article 203 by ensuring counties are predictably and adequately resourced in light of their growing responsibilities.

4.3. Accumulation of Pending Bills

- 4.3.1. Counties continue to grapple with significant pending bills owed to contractors, suppliers, and service providers. The half year report by Controller of budget for FY 2025/26 reported that as of December 31, 2025, County Governments had accumulated trade payables of **Kshs.163.74 billion**. These arrears constrain county economies, stall development projects, and erode business confidence. An enhanced allocation of at least **470 billion** will enable counties to clear outstanding obligations and restore fiscal credibility.

5.0 CAF's Recommendations to the Committee

5.1 Adopt Ksh.470 billion as the minimum equitable share benchmark.

- 5.1.1 Given that this represents 22.9% of the last audited revenue well above the constitutional minimum of 15%, which provides a realistic and legally sound basis for financing devolved functions. This level is necessary to absorb rising expenditure pressures while maintaining service delivery standards.

5.2 Earmark part of the enhanced allocation toward clearing the Ksh. 163.74 billion pending bills.

- 5.2.1 A structured approach to settling arrears will inject liquidity into local economies, restore supplier confidence, and unlock stalled development projects. This has a multiplier effect, strengthening both county fiscal credibility and broader economic activity.

6.0 Conclusion and Asks

In light of the above, CAF respectfully urges the Senate Standing Committee on Finance and Budget to:

- 6.1 Reject the National Treasury's proposal of Ksh.420 billion on grounds of fiscal insufficiency.
- 6.2 Consider but improve upon the CRA's recommendation of Ksh.458.9 billion by aligning with actual county financial obligations.
- 6.3 Adopt CAF's proposal of Ksh.470 billion as the equitable share for counties in FY 2026/27 to guarantee sustained service delivery, institutional capacity strengthening, and the consolidation of devolution gains.
- 6.4 We thank the Committee for its continued support for devolution and reaffirm CAF's commitment to working collaboratively with all national stakeholders to ensure counties are adequately and equitably funded.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'Seth Kamanza', with a stylized flourish at the end.

HON. SETH KAMANZA

CHAIRPERSON



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Ref No. TS 530/2026

March 26, 2026.

Mr. Jeremiah Nyegenye, CBS

Clerk of the Senate
Clerk's Chambers
Parliament Buildings
P. O. Box 41482-00100,
NAIROBI, Kenya.

RE: SUBMISSION ON THE DIVISION OF REVENUE BILL, 2026 (NATIONAL ASSEMBLY BILLS NO. 2 OF 2026)

Dear Mr. Jeremiah,

The Institute for Social Accountability (TISA) is a non-profit organization established in 2008, committed to the achievement of sound policy and good governance in Kenya and to uplift livelihoods of the poor, vulnerable, and marginalized. TISA exists to promote citizen empowerment and government accountability according to Articles 10(2)(c) and 201(a) of the Constitution of Kenya, 2010. In reference to your letter, **Ref. SEN/DSEC/F&B/2026/035(a)**, calling for views on the Bill, TISA submits its analysis for consideration during the review process.

We acknowledge provisions applying the Fourth Basis revenue allocation formula and an incremental increase in the counties' equitable share above the constitutional floor. The submission proceeds to critically pay attention to the KSh.38.9 billion shortfalls in the counties' equitable share relative to the Commission on Revenue Allocation's recommendation. We further raise on the structural prioritization of the Consolidated Fund Services (CFS), the conditionality applied to the Universal Health Coverage worker remuneration, and the persistent challenge of pending bills and low development expenditure absorption in the counties. The issues have compounded yearly without adequate legislative remedy.

We respectfully implore the Senate to interrogate these gaps and require the National Treasury to provide satisfactory amendments and justification before the Bill proceeds.

Yours Sincerely,

Diana Gichengo,

Executive Director,

The Institute for Social Accountability

Convenor, Okoa Uchumi Campaign

Email: diana.gichengo@tisa.or.ke



MEMORANDUM ON THE DIVISION OF REVENUE BILL, 2026

INTRODUCTION

The Division of Revenue Bill, 2026 arrives before Parliament at a time when Kenya's intergovernmental fiscal architecture is under strain from multiple directions, and treating this as a routine annual exercise would be a serious disservice to the public interest. The counties are not struggling because devolution is bad; the operationalization systems have consistently failed in timely disbursements and accountability. Across county governments, high pending bills due to unpaid supplier invoices, stalled contractor payments, and deferred staff allowances have accumulated into a structural overhang. These arrears are not the result of insufficient allocation alone, they are the compounded product of opaque procurement, weak internal audit, and the chronic gap between what counties are appropriated and what they receive after in-year Treasury deferrals.

The accountability landscape is equally troubling. The standoff between the Council of Governors and the Senate over unresolved audit queries, disputed conditional grant utilization, and the question of who bears responsibility for appropriated but never implemented development expenditure has effectively paralyzed the oversight function. Counties table accounts with development absorption rates below 30% in some instances, not always because of misappropriation, but because procurement timelines, late disbursements, and contractor non-performance conspire to strand funds. Yet Parliament's response has often been to withhold further transfers rather than address the underlying systemic failures, which punishes citizens twice.

Against this backdrop, a Bill that proposes KSh.420 billion to county governments, KSh.38.9 billion below the CRA's constitutional recommendation, is not a statement of fiscal prudence. The National Government's own KSh.108.2 billion financing gaps, driven by a Consolidated Fund Services burden now consuming 48.5% of ordinary revenues, reflects the true crisis of national budget architecture bending under the weight of debt obligations incurred on behalf of a development program that citizens are yet to fully enjoy.

This submission does not advocate for counties at the expense of fiscal sustainability. We recognize the National Treasury's constraints. What we advocate for is honest, enforceable, and constitutionally grounded allocation, anchored in transparency about pending bills, accountability for development underutilization, and a serious reckoning with the structural reforms that alone can break this cycle. The analysis that follows is our contribution to that reckoning.



DETAILED ANALYSIS AND RECOMMENDATIONS

Clause / Provision	Gap / Strength	Recommendation	Justification
Clause 4 and Schedule: County Equitable Share	The allocation exceeds the constitutional minimum of 15% under Article 203(2) and represents a Ksh.5 billion increase over the FY 2025/26 baseline of KSh.415 billion, demonstrating some responsiveness to growth in devolved service demands.	Acknowledge and commend the incremental increase. Anchor it as a floor, not a ceiling, and publish a binding multi-year escalation roadmap in the accompanying BPS.	Article 203(2) sets 15% as a minimum threshold. The 21.9 percent allocation affirms the principle of progressive realization of devolution under Article 174.
Paragraph 18–19	The Bill applies to the Fourth Basis for horizontal allocation, which introduces the Affirmative Action Allocation of KSh.4.46 billion ring-fenced for the twelve smallest counties. This is a material improvement in equity.	Retain and strengthen. Mandate the CRA to publish a post-allocation equity impact report within 90 days of disbursement to validate that the formula achieves its redistributive intent.	Article 203(1)(g) and (i) require affirmative action for disadvantaged counties. Article 217 mandates Parliament to determine the basis for allocation – this Bill faithfully applies to that determination.
Clause 4 & Schedule: Ksh.38.9 billion below CRA recommendation of Ksh.458.9 billion	The Bill underfunds counties by KSh.38.9 billion compared to the CRA's recommendation. Counties are simultaneously being asked to absorb	Parliament should negotiate a minimum of KSh.440 billion as a compromise, with a statutory medium-term commitment to reach the CRA	Article 218(2)(c) requires justification for deviations from CRA recommendations. Article 174(f) demands adequate resources for



Clause / Provision	Gap / Strength	Recommendation	Justification
	expanded health mandates, pay pending bills running into tens of billions, and transition UHC workers, all on a funding envelope that grew by only KSh.5 billion.	figure. The Senate should invoke Article 217 to formally record its position on the deviation.	devolved functions. Section 191(5)(c) of the PFM Act, 2012 requires Parliament to be furnished with deviation summaries.
Paragraph 14 & 24(b)	National Treasury routes UHC for remuneration as a conditional allocation through the Additional Allocations Bill rather than the equitable share. This creates a dual disbursement dependency. Counties with pending wage bills cannot commit to permanent terms for UHC workers, threatening continuity of healthcare at the community level.	Establish automatic disbursement upon submission of verified county payroll data, with no additional approval gates at the Treasury. Parliament should sunset the conditionality.	Article 187 requires that resources follow function transfers. Article 43(1)(a) guarantees the right to health. Conditional disbursement structures that create payment delays expose the State to constitutional liability.
Paragraph 22	Even after all constitutionally mandated allocations, the National Government faces a KSh.108.2 billion gap to finance its own development	Require the National Treasury to table a five-year Consolidated Fund Services reduction plan within 90 days of Bill assent. Parliament	Section 15(2)(a) of the PFM Act requires borrowing to be maintained at sustainable levels. Article 201(d) mandates prudent and responsible use



Clause / Provision	Gap / Strength	Recommendation	Justification
	priorities and salary obligations. Consolidated Fund Services now consumes 48.5% of ordinary revenue, up from 16.4% in FY 2013/14. This is the fiscal equivalent of a household spending half its income on debt repayments before feeding its children.	should enforce the statutory debt ceiling of 55% of GDP.	of public resources. Unchecked Consolidated Fund Services growth structurally crowds out both national and devolved services.
Paragraph 19 & Schedule Row C	The Equalization Fund has accumulated KSh.5.56 billion in arrears, with historically poor absorption due to delayed disbursements and inadequate county capacity. The Bill commits to clearing arrears progressively but provides no enforcement mechanism, timeline, or penalty for non-disbursement.	Introduce a specific provision requiring full settlement of the KSh.5.56 billion arrears within FY 2026/27 through a ring-fenced sub-account, with quarterly progress reports tabled before the Senate.	Article 204 establishes the Equalization Fund as a constitutional imperative for marginalized areas. Persistent arrears represent continuing constitutional breach.
Paragraph 6(a) & 25	The Bill's revenue projections are optimistic based on the documented KSh.115.3 billion	Review the unrealistic revenue projections to curb underperformance as	Revenue shortfalls due to overestimation results in



Clause / Provision	Gap / Strength	Recommendation	Justification
	underperformances as of December 2025. If revenues underperform again, history suggests the National Government will manage the shortfall by delaying county transfers, a practice that disrupts county payrolls, stalls development projects, and forces counties into pending bills.	evidenced by the National Treasury data in December 2025. Timely county disbursements must be prioritized and shielded from in-year shortfalls. Amend Section 194 of the PFM Act to create an automatic county transfer floor mechanism.	delayed disbursements and increased borrowing. Section 194 of the PFM Act requires timely transfers. Article 202(1) guarantees equitable sharing. Selective deferral of county transfers to cushion national shortfalls violates the constitutional resource-sharing compact and undermines Article 174(d).



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IPF/CEO/INV/19/-03-2026

26th March 2026,

MR. J.M NYEGENYE, CBS

Clerk of the Senate
Parliament Building
P.O Box 41842-00200
NAIROBI, KENYA.

Dear Mr. Nyegenye,

RE: INSTITUTE OF PUBLIC FINANCE MEMORANDUM ON THE DIVISION OF REVENUE BILL, 2026

Greetings from the Institute of Public Finance (IPF).

IPF is an independent, non-partisan, and non-profit think tank that advances the principles and practice of public finance management. With over a decade of experience, we support state and non-state actors at both national and county levels to improve public finance systems through credible evidence and technical assistance. Guided by the principles of transparency, accountability, and participation, IPF is committed to enhancing service delivery across Kenya and beyond, with a special focus on climate, health, and the overall macroeconomy.

IPF welcomes the opportunity to submit our views on the Division of Revenue Bill, 2026, which proposes the equitable sharing of nationally raised revenue between the National Government and County Governments for the financial year 2026/27.

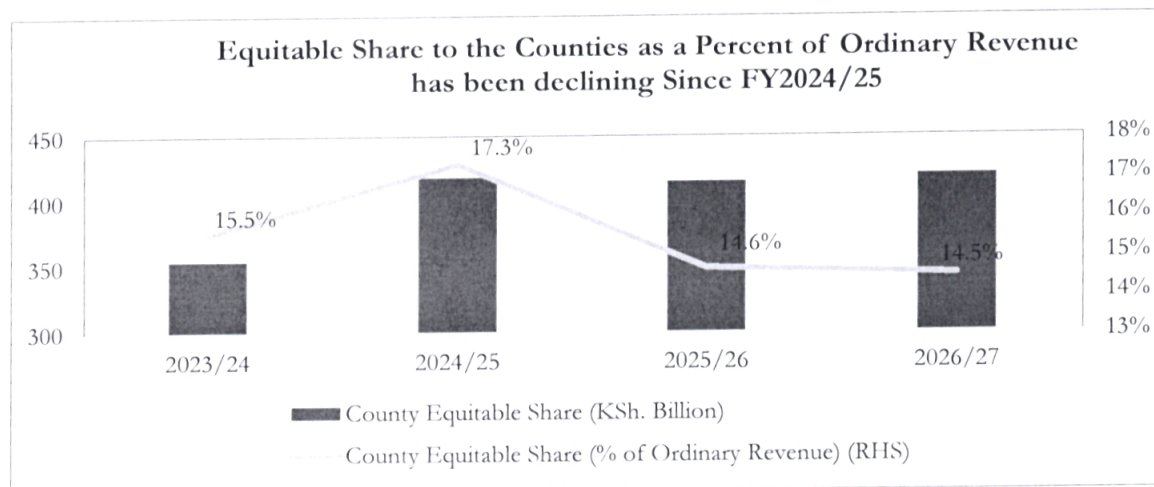
The Division of Revenue (DOR) Bill, 2026, proposes a national government allocation of Ksh 2,472.3 billion. On the county side, however, the Bill allocates Ksh 420.0 billion as the equitable share, which represents a marginal 1.2% increase from the prior year, and significantly below the Ksh 458.9 billion independently recommended by the Commission on Revenue Allocation (CRA). Moreover, the performance basis for the division of revenue raises concerns due to delays in Parliament's approval of the audited accounts, with the most recent approved one being for the financial year 2021/2022. This gap between the Bill's allocation and the CRA's recommendation, as well as the performance basis for distributing revenue, warrants scrutiny, as it has significant implications for the realisation of devolution's constitutional objectives. Against this backdrop, the submissions herein critically examine the proposed division of revenue, expose the structural and fiscal concerns it raises, and advance concrete, evidence-based recommendations.

1. Independence and mandate of the Commission on Revenue Allocation

The CRA is a constitutionally established independent commission whose primary mandate is to make recommendations on equitable sharing of revenue. Its recommendation of Ksh 458.9 billion is grounded in a comprehensive assessment of revenue performance, constitutional obligations, and the functional requirements of county governments. The National Treasury's deviation of Ksh 38.9 billion, equivalent to 8.5 percent of the CRA recommendation, is substantial and requires robust justification beyond fiscal consolidation imperatives. IPF notes that the Constitution requires that deviations from CRA recommendations be explained with specificity. While the National Treasury has offered various justifications, such as high debt servicing obligations, fiscal consolidation, and budget deficit, prioritizing national interest, and lowered revenue projections, we urge Parliament to examine these explanations rigorously, as some merit closer scrutiny. For instance, the rationale regarding "national government interests" is unclear, particularly in terms of what is included or excluded, since county matters are also integral to the national interest.

However, the case for increased allocations must be matched by a corresponding commitment to accountability and prudent use of public resources at the county level. Increased transfers to counties must be accompanied by strengthened oversight mechanisms to ensure that these finances are utilised efficiently, transparently, and in direct service of the citizens they are intended to benefit. Adequacy of funding and accountability in its use are not competing demands; they are complementary obligations under Kenya's devolved system of government.

It is IPF'S considered position that since the lag in the approval of audited revenue accounts by Parliament would take time to address, there is a need for Parliament to maintain county allocations at 17% as was in FY2024/25. Using projected ordinary revenue of Ksh 2.9 trillion would give counties Ksh. 493 billion for the counties to meet the pressure of providing critical services and clearing pending bills.



At the same time, Parliament should strengthen oversight mechanisms to ensure that counties are held to the highest standards of financial accountability and transparency in the utilization of these transfers.

2. Financing gap for devolved functions and the optimism of fiscal assumptions

The counties' equitable share ought to be increased, but anchor it to realistic, not optimistic revenue projections. County governments carry the constitutional responsibility for a wide range of functions, including primary healthcare, early childhood education, agriculture, county roads, and local economic development. These functions carry growing cost pressures driven by population growth, wage demands, and the expansion of service delivery. Furthermore, the IGTRC, in its 2024 Report of the Second Intergovernmental Relations Symposium, emphasizes the importance of conducting a regular costing of county government functions at least every 10 years. The costing of devolved functions has not kept pace with actual service delivery costs, making a KSh 5.0 billion adjustment demonstrably insufficient to bridge this gap.

This concern is compounded by the economic assumptions outlined in the Bill. The National Treasury projects ordinary revenues of Ksh 2,901.9 billion for FY 2026/27, premised on the assumption that there will be no major economic shocks and that ongoing fiscal policy and revenue administration reforms will be fully effective. These are optimistic assumptions, particularly given that revenues for FY 2025/26 were already Ksh 115.3 billion below target as of December 2025. Notably, the Bill places the burden of any revenue shortfalls on the National Government, meaning that a repeat of recent underperformance is likely to compromise the timeliness of equitable share disbursements to counties.

Although the Bill encourages the counties to grow Own Source Revenue (OSR), structural constraints such as limited tax bases, informality in local economies, and administrative capacity gaps limit counties' ability to

significantly expand OSR over the short term. OSR should thus be viewed as complementary to equitable share and not a substitute for adequately funded devolved functions. We request Parliament to request an update of the support extended to the County Governments by the National Treasury and Commission on Revenue Allocation, given that technical support to counties is one of their primary mandates.

Further, the political economy of the coming period warrants particular attention. With the 2027 general elections on the horizon, fiscal space is likely to come under additional pressure as expenditure demands intensify. County governments, which are at the frontline of citizen-facing services, cannot afford to enter that period already resource-constrained.

IPF recommends that Parliament should revise the county's equitable share upward and anchor it to evidence-based revenue projections rather than aspirational targets, particularly given that FY 2025/26 revenues were already Ksh 115.3 billion below target. The costing of devolved functions must be updated to reflect actual service delivery costs, and Own Source Revenue must be treated as a complement to and not a substitute for an adequately funded equitable share.

3. The UHC workers' remuneration: conditional allocation is constitutionally problematic

The transition of UHC workers to permanent and pensionable terms represents the transfer of a function from one level of government to another. Article 187 of the Constitution requires that when a function is transferred, the resources necessary for its performance must also be transferred. Channeling KSh 8.9 billion as a conditional additional allocation rather than as part of the equitable share introduces conditionality onto a resource flow that, by constitutional design, should be unconditional. Furthermore, treating a permanent wage bill as a conditional allocation creates structural fiscal uncertainty at the county level since the obligation to pay these workers is ongoing and non-negotiable. Allowing this precedent to stand risks normalizing the reclassification of what should be unconditional equitable share resources into conditional grants, progressively eroding county fiscal autonomy.

In addition, there have been historical delays in enacting the County (Additional Allocations) Acts, which have led to delays in transferring these resources to counties. This would likely paralyze delivery of critical services at the county level, which has been a frequent occurrence in the past.

IPF recommends that the Ksh 8.9 billion earmarked for UHC workers' remuneration should be incorporated into the county's equitable share as an unconditional transfer, consistent with the constitutional requirement under Article 187 and the principle of county fiscal autonomy. To ensure UHC is adequately funded, Senate and County Assembly oversight mechanisms should be strengthened to hold county governments accountable for the prioritization of health worker remuneration in their budgets.

4. Fiscal consolidation should not be achieved at counties' expense

The Bill's explanatory memorandum acknowledges that the National Government faces a financing gap of Ksh 108.2 billion after all mandatory obligations are met. However, fiscal consolidation, which is a legitimate national objective, should not be advanced by compressing county allocations. The drivers of fiscal stress are on the national side, such as escalating public debt servicing, a rapid rise in Consolidated Fund Service (CFS) from 16.4 percent to 48.5 percent of ordinary revenue, and pension and interest payments. These structural challenges require structural national solutions, not a reduction in the resources available to subnational governments. Reducing county allocations in the context of rising expenditure obligations threatens service continuity in the essential sector, including health, education, agriculture, and local infrastructure.

IPF recommends that the National Government should address its financing gap through structural reforms targeted at national expenditure drivers, including foreign and domestic travel, a credible medium-term debt management strategy, rationalization of Consolidated Fund Services, and a rigorous review of interest payment obligations. Parliament should require the National Treasury to table a time-bound fiscal consolidation roadmap that demonstrates how CFS will be reduced from its current unsustainable level of 48.5 percent of ordinary revenue, without recourse to compressing county allocations.

Where expenditure cuts are necessary, they should be applied to discretionary national expenditures such as travel, hospitality, non-essential procurement, and advertising before any adjustment is made to constitutionally mandated intergovernmental transfers.

5. Economic optimization and predictability of allocations

The equitable share constitutes unconditional transfers, allowing counties to plan and implement development agendas based on local priorities. The fourth-based formula applied for FY2026/27 also considers population, poverty indices, geographical size, and baseline shares to support a more balanced horizontal allocation. Ensuring predictability and stability in county allocations is critical, particularly as the economy faces potential global shocks and revenue volatility. Clause 5 of the Bill, which protects county allocations from reductions due to revenue shortfalls, is important; however, counties do not benefit from revenue overperformance, which is retained by the national government. This partial asymmetry underscores the need to set a fair and adequate baseline equitable share.

IPF recommends that Parliament review Clause 5 to ensure equitable share disbursements remain timely and predictable regardless of national revenue performance, with particular attention to insulating county allocations from the effects of revenue shortfalls.



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While IPF Kenya acknowledges the very real fiscal pressures confronting the National Government, the Division of Revenue Bill, 2026, presents Parliament with a critical opportunity to reaffirm Kenya's commitment to a well-resourced and functional devolved system of government. We request the national assembly to consider the recommendations highlighted above in its review and approval of the Division of Revenue Bill 2026.

IPF remains committed to any additional request for engagement, consultation, and collaboration that the National Assembly may require.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Daniel Ndirangu', is placed above the printed name.

Daniel Ndirangu
Chief Executive Officer
Institute of Public Finance
dndirangu@ipfglobal.or.ke



Institute of
Economic Affairs

MEMO

Institute of Economic Affairs – Kenya

Views on the Division of Revenue Bill, 2026

Date: March, 2026

The Institute of Economic Affairs (IEA Kenya) is a think-tank that provides a platform for informed discussions in order to influence public policy in Kenya. We seek to promote pluralism of ideas through open, active and informed debate on public policy issues. We undertake research and conduct public education on key economic and topical issues in public affairs in Kenya and the region, and utilize the outcomes of the research for policy dialogue and to influence policy making

This memo presents the IEA-Kenya response to the Senate's call for the public to provide their input into the Division of Revenue Bill, 2026.

Below is a summary of our recommendations:

- I. **For parity and to ensure that delivery of devolved services is not undermined, we recommend that allocation to County Government Equitable Share to be at least KSh 443 billion**

There is a squeeze on resources that have been going to the counties, evident from declining trend in equitable share as a percentage of total shareable revenue contrasted by increasing trend for the national government share. To address this, the IEA-Kenya proposes that the proportion of each level of government for the last four years, 2022/23 to 2025/26 is maintained at their respective historical averages. For the national government the average is 84.5% while that for County Governments is 15.3% which translates to about Ksh 443 billion for the latter.

- II. **The National Assembly and the Senate exercise oversight over public debt management given their implication on total shareable revenue**

The Senate, like the National Assembly, should be involved in review of Medium-Term Debt Strategy. Its oversight of public debt sustainability is critical, given the impact of debt-servicing costs on reducing the shareable revenue and, in turn, the equitable share allocated to county governments.

- III. **The National Assembly should expedite the review and approval process of the OAG reports since delays leave the National Treasury no choice but to use dated figures for the audited and approved revenue in assessment of whether they have complied with Article 203(2)(3).**

County equitable share as a percentage of dated figures for audited and approved revenue usually exaggerate government's compliance to the 15% threshold. Such information is misleading to the general public and undermines accountability.

Issues on the Division of Revenue Bill (DORB), 2026

Introduction

This Memo presents a number of issues that the IEA-Kenya has identified from its review and analysis of the DORB, 2026. These issues inform our recommendations to the Standing Committee on Finance and Budget as summarised in the preceding page.

Comment on Appendix: Explanatory Memorandum to the Division of Revenue Bill, 2026 (Note 4,5)

1. County Government equitable share as a percentage of total shareable revenue has been declining over the years.

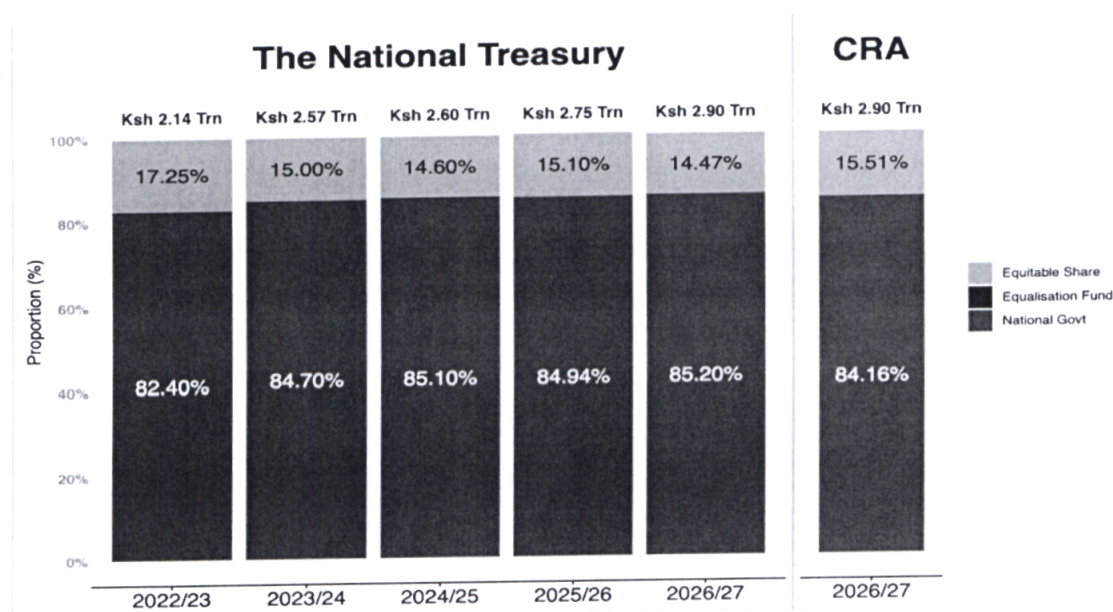
The most recent audited and approved revenue for purposes of revenue sharing is KSh 1,920.4 billion for FY 2021/22. However, the National Treasury projects to collect ordinary revenue amounting to Ksh 2,901.9 billion in FY 2026/27, representing a 5.3 percent increase from the FY 2025/26 approved budget estimates of Ksh 2,754.7 billion.

Despite the projected growth in revenue, there remains a significant gap between the shareable revenue base used for determining the equitable share to counties and the ordinary revenue projected to be collected in FY 2026/27. The difference between the shareable revenue and the targeted revenue collection is almost one trillion, (981.5 billion). This discrepancy disadvantages county governments, as the revenue base used to determine the equitable share is substantially lower than the total revenues expected to be collected by the national government.

In the DoRB, 2026, the National Treasury (NT) proposes that out of the total shareable revenue of Ksh 2,901.9 billion, the national government is projected to receive Ksh 2,472.3 billion (85.2%) while **Ksh 420 billion** (14.5%) is projected to be allocated to the County governments as the equitable share. The proposed share to county government translates to an increase of 1.2% which is lower than the projected revenue growth of 5.3%.

On the other hand, the Commission on Revenue Allocation (CRA) recommends allocation of **Ksh 450 billion** as the equitable share to County Governments which works out to a higher proportion of 15.5% of the National Treasury's proposed total shareable revenue of **Ksh 2,901.9 billion** and Equalisation Fund of **Ksh 9.6 billion**. This is illustrated in chart 1.

Chart 1: Trends in National Government Share and County Government Shares as a %age of Total Sharable Revenue



Source: Various Issues of DORB 2023-2026

From the figure, two striking observations are made: -

- Over time the proportion of allocation to the National Government has gained marginally contrasted by that to the County Government which has been declining.
- The proposed allocation by the CRA of 15.5% of total sharable revenue is higher than National Treasury's proposal of 14.5% and is fairly balanced in terms of ensuring that the proportion of the equitable share does not deviate so much from the historical average.

Recommendation

To address the declining proportion of the equitable share allocated to County Governments, the IEA-Kenya proposes that the proportion of each level of government for the last three years, 2023/24 to 2025/26 is maintained at their respective historical averages. For the national government the average is 84.5% while that for County Governments is 15.3%. As a result, our proposed allocation to County Government equitable share translates to about KSh 443 billion.

Comment on Appendix: Explanatory Memorandum to the Division of Revenue Bill, 2026 (Note 11)

2. Public debt

The cost of servicing public debt has been rising steadily over the years, with allocations for the FY 2026/27 reaching KSh 1,542 billion. This growing debt burden significantly reduces the equitable share available to both levels of government, affecting service delivery, particularly in county governments due to the delays in disbursements.

The national government will need to focus its efforts on expenditure rationalization, reduction of fraud, waste and abuse as well as instituting proper debt management mechanisms as a way of ensuring that its fiscal consolidation agenda is not disrupted. This is what will reduce obligations to the shareable revenue for the benefit of the two levels of government. Besides, deficit financing which leads to growth of public debt stock is often used to undertake national government projects.

Recommendation

Given the disproportionate impact of debt servicing on counties, the IEA Kenya proposes that the county governments through the Council of Governors (COG) and the Senate be involved in debt acquisition and allocation decisions.

3. **The calculation of the percentage of revenue shared nationally on the basis of most recent audited and approved account of revenues by the National Assembly needs to be reviewed.**

We note that the use of dated audited and approved revenue accounts does not provide the true picture of the extent of the governments' compliance with article 203. As demonstrated in table 2, the last column shows that if the audited and approved revenue figures for the prior year to the DORA year were available, the proportion of the 'real' equitable share is lower than what the picture is currently (column 5).

For example, in the DoRA, 2017, equitable share was calculated based on the FY 2013/14 audited and approved revenues. This yielded a rate of 32.3 percent in comparison to 22.4 percent when audited revenue accounts for FY 2016/17 were used. Further table 2 shows that if we compute the 2026/27 proposed county government equitable share using the projected 2025/26 revenue (based on BPS 2026), we will allocate 15.3 per cent of the resources to the counties as equitable share just above the constitutional threshold.

Table 2: Trends in Audited Revenue and Equitable Share

DoRA Year	Audited & Approved Revenue (Ksh Billion)	Year of audit	County Government Equitable Share (Billions)	Equitable Share as a % of Audited Revenue	Actual Revenue for Prior Year to the DORA Year	Actual Revenue accounts (Billions)	'Real' Equitable Share as a % of Audited Revenue
2017	935.7	2013/14	302.0	32.3	2016/17	1,345.3	22.4
2018	935.7	2013/14	314.0	33.6	2017/18	1,410.0	22.2
2019	1,038.0	2014/15	316.5	30.5	2018/19	1,543.8	19.9
2020	1,357.7	2016/17	316.5	23.3	2019/20	1,532.2	20.6
2021	1,357.7	2016/17	370.0	27.3	2020/21	1,627.5	22.7
2022	1,413.7	2017/18	370.0	26.2	2021/22	1,969.4	18.8
2023	1,673.7	2019/20	385.4	23.0	2022/23	2,053.8	18.8
2024	1,570.6	2020/21	387.4	24.9	2023/24	2,680.4	14.5
2025	1,570.6	2020/21	415	26.4	2024/25	2,631.4	15.4
2026	1,920.4	2021/22	420	21.9	2025/26	2,744.4*	15.3

Source: DoRB 2017-2026, Economic Survey and BPS 2026

*Based on BPS 2026 projections

Recommendations

IEA-Kenya proposes for speedy approval of the audited accounts by the National Assembly to give a true picture of revenue sharing to the counties and enhance transparency question. Dated revenue accounts figures imply that counties are receiving a bigger percentage of equitable share compared to more recent actual revenue accounts. The constitution requires the Auditor General to submit an audit report six months before the end of each financial year and within three months after the national or county government receive the report, they are supposed to consider the report and take the appropriate action.

Nahashon Kamau

P.O. Box 30075 – 00100, Nairobi, Kenya

23rd June, 2026

The Clerk of the Senate

P.O. Box 41842 – 00100,

Nairobi, Kenya.

Dear Sir,

RE: Submission of Memorandum on the Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)

I acknowledge the invitation to submit memoranda on the Division of Revenue Bill, 2026, aimed at equitable distribution of nationally raised revenue between the national and county governments for Financial Year 2026/27.

The Bill proposes allocation of Ksh. 2,901,874,758,144 as sharable revenue, distributed as follows:

- National Government: Ksh. 2,471,624,439
- County Governments: Ksh. 420,000,000,000
- Equalization Fund: Ksh. 10,250,573,705.

Comments/Recommendations

- The allocation to County Governments should prioritize development projects in marginalized sub-counties to bridge infrastructure gaps.
- A detailed transparency framework must be established for tracking revenue distribution and utilization, including regular audits and public reports.
- The Equalization Fund allocation needs a formula-based approach ensuring funds reach the most disadvantaged communities, focusing on health and education services.
- Recommend legislative oversight mechanisms to prevent misallocation and ensure accountability at both national and county levels.

Conclusion

I support the Bill's objective of equitable revenue sharing but urge amendments to enhance fairness, transparency, and accountability in resource allocation.

Yours faithfully,

Nahashon Kamau

Contact: +254743048144

Annex 4- Public Advert

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026)

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) was read a First Time in the Senate on Wednesday, 18th March, 2026. Thereafter, the Bill stood committed to the Standing Committee on Finance and Budget for consideration. The Committee is required, under standing order 145(5) of the Senate Standing Orders, to facilitate public participation on the Bill and to take into account the views and recommendations of the public when the Committee makes its report on the Bill to the Senate.

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2026) provides for equitable division of revenue raised nationally between the national and county governments in Financial Year 2026/27. The proposed sharable revenue is Ksh.2,901,874,758,144 to be allocated as follows-

- the National Government to be allocated Ksh.2,471,624,184,439;
- the County Governments to be allocated Ksh.420,000,000,000; and
- the Equalization Fund to be allocated Ksh.10,250,573,705.

In accordance with the provisions of Article 118(1)(b) of the Constitution and standing order 145(5) of the Senate Standing Orders, the Standing Committee on Finance and Budget now invites interested members of the public to submit any representations that they may have on the Bill by way of written memoranda.

The memoranda may be submitted to the Clerk of the Senate, P. O. Box 41842-00100, Nairobi, hand-delivered to the Office of the Clerk of the Senate, Main Parliament Buildings, Nairobi or emailed to clerk.senate@parliament.go.ke and copied to financebudgetcomm.senate@parliament.go.ke to be received on or before **Thursday, 26th March, 2026 at 4.00 p.m.**

The Bill may be accessed on the Parliament website at <http://www.parliament.go.ke/the-senate/house-business/bills>.

Note: This cancels and supersedes the ADVERT on this subject matter that appeared on page 9 of the Standard Newspaper and page 6 of the Daily Nation Newspaper on Thursday, 19th March, 2026.

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

Politics Head of State terms Gachagua's vow to abolish the initiative after 2027 General Election as hot air

Ruto defends housing project as four ends

President dismisses opposition leaders' criticism of the project he says will save agricultural land and boost food production

BY RUSHDIE OUDIA AND NDUBI MOTURI

President William Ruto concluded his tour of Western Kenya yesterday by strongly defending his Affordable Housing Programme, describing it as a long term solution to the problem of shrinking agricultural land in rural counties.

His remarks were a direct response to criticism from opposition leaders who recently dismissed the programme as a scheme designed to benefit politically connected contractors through lucrative construction contracts, leaving ordinary Kenyans out in the cold.

Led by Democracy for Citizens Party leader Rupathi Gachagua, opposition figures have vowed to abolish the programme if they take power in 2027, transferring the housing units to county governments instead.

However, President Ruto insisted that the initiative is particularly

critical in densely populated regions such as Western Kenya where land fragmentation has made it increasingly difficult for families to make a living.

"If there was ever a place in need of affordable housing, it is Vihiga County, where citizens have limited space for settlement and intense competition for land for both livelihoods and housing," said the President.

He noted that similar pressures are being experienced in counties such as Kisumu, Nyamira, and Kericho where available land for residential expansion is diminishing rapidly.

In Ruto said the government's strategy is to develop urban centres and encourage migration to these areas, thereby freeing up rural land for agriculture.

"Affordable housing will help address the problem of land fragmentation in Vihiga and other counties, creating space for farming while resettling more people in urban areas," he said.



Vihiga Affordable Housing Project in Majengo, Vihiga County. ALT X ODHAMBO/ILLUSTRATION

During the handover of housing units to new owners at Milimani Affordable Housing Project in Vihiga, the President announced that the government plans to construct an additional 10,000 housing units and 15 new markets in the county at a cost of Sh20 billion. A further Sh3 billion, he said, will be invested in

building hostels to accommodate over 5,000 students at technical training institutions.

Dr Ruto said his administration is committed to ensuring reputable development for Vihiga and the wider Western Kenya region.

He dismissed the opposition's plans to scrap the housing programme, arguing that their criticism is a hot air.

Affordable housing will help address the problem of land fragmentation in Vihiga and other counties, creating space for farming while resettling more people in urban areas

President William Ruto

is lack a viable alternative.

"These leaders say they will do affordable housing and call it a mistake. But where do they want the people of Vihiga to live? They don't understand what the future of people needs," he said.

Dr Ruto also criticised opposition leaders he accused of promoting tribal politics, stating he would not allow such divisive politics to undermine national unity.

"I will not allow tribalism to take root in this country. This nation belongs to all of us," he said.

President Ruto said the Affordable Housing Programme is a long-term solution to the problem of shrinking agricultural land in rural counties. He noted that similar pressures are being experienced in counties such as Kisumu, Nyamira, and Kericho where available land for residential expansion is diminishing rapidly.

In Ruto said the government's strategy is to develop urban centres and encourage migration to these areas, thereby freeing up rural land for agriculture. "Affordable housing will help address the problem of land fragmentation in Vihiga and other counties, creating space for farming while resettling more people in urban areas," he said.

During the handover of housing units to new owners at Milimani Affordable Housing Project in Vihiga, the President announced that the government plans to construct an additional 10,000 housing units and 15 new markets in the county at a cost of Sh20 billion. A further Sh3 billion, he said, will be invested in building hostels to accommodate over 5,000 students at technical training institutions.

Dr Ruto said his administration is committed to ensuring reputable development for Vihiga and the wider Western Kenya region. He dismissed the opposition's plans to scrap the housing programme, arguing that their criticism is a hot air.

REPUBLIC OF KENYA



THIRTEENTH PARLIAMENT | FIFTH SESSION THE SENATE

INVITATION FOR SUBMISSION OF MEMORANDA

THE Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2025)

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2025) was read a First Time in the Senate on Wednesday, 18th March, 2026. Thereafter, the Bill stood committed to the Standing Committee on Finance and Budget for consideration. The Committee is required, under standing order 45(5), under the Senate Standing Orders, to facilitate public participation on the Bill and to take into account the views and recommendations of the public when the Committee makes its report on the Bill to the Senate.

The Division of Revenue Bill, 2026 (National Assembly Bills No. 2 of 2025) provides for equitable division of revenue raised nationally between the national and county governments in financial year 2026/27.

The proposed shareable revenue is Ksh 2,901,874,758,144 to be allocated as follows:

- the National Government to be allocated Ksh 2,471,624,184,439;
- the County Governments to be allocated Ksh 420,000,000,000; and
- the Equalization Fund to be allocated Ksh 10,250,573,705.

In accordance with the provisions of Article 118(1)(b) of the Constitution and standing order 45(5) of the Senate Standing Orders, the Standing Committee on Finance and Budget now invites interested members of the public to submit any representations that they may have on the Bill by way of written memoranda.

The memoranda may be submitted to the Clerk of the Senate, P.O. Box 41842-00100, Nairobi, hand-delivered to the Office of the Clerk of the Senate, Main Parliament Buildings, Nairobi or emailed to clerk@senate.parliament.go.ke and copied to financebudget@senate.parliament.go.ke to be received or before Thursday, 26th March, 2026 at 4.00 p.m.

The Bill may be accessed on the Parliament website at <http://www.parliament.go.ke/the-senate/house-business/bills>.

Note: This cancels and supersedes the ADVERT on this subject matter that appeared on page 9 of the Standard Newspaper and page 6 of the Daily Nation Newspaper on Thursday, 12th March, 2026.

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



REPUBLIC OF KENYA 13TH PARLIAMENT – FIFTH SESSION (2026) THE NATIONAL ASSEMBLY

IN THE MATTER OF ARTICLE 118(1) (b) OF THE CONSTITUTION AND IN THE MATTER OF CONSIDERATION BY THE NATIONAL ASSEMBLY OF THE COUNTY LIBRARY SERVICES BILL (SENATE BILL No. 40 OF 2024)

INVITATION TO SUBMIT MEMORANDA

WHEREAS, Article 118(1) (b) of the Constitution of Kenya requires Parliament to facilitate public participation and involvement in the legislative and other business of Parliament and its Committees, and National Assembly Standing Order 127(3) requires House Committees considering Bills to facilitate public participation;

AND WHEREAS, the County Library Services Bill (Senate Bill No. 40 of 2024) was read a First Time in the National Assembly on 12th March 2026 and referred to the Departmental Committee on Sports and Culture for consideration and reporting back to the House;

IT IS NOTIFIED that the County Library Services Bill (Senate Bill No. 40 of 2024) is a Bill sponsored by Sen. Joyce Chepkosch Karir, MP which seeks to establish a library and a county directorate of library services in each county to ensure that learners and the communities within the county have access to educational resources and information; promote literacy in counties; and support education, cultural and research activities by providing necessary resources and facilities.

NOW THEREFORE, in compliance with Article 118(1) (b) of the Constitution and Standing Order 127(3), the Clerk of the National Assembly hereby invites the public and stakeholders to submit memoranda on the County Library Services Bill (Senate Bill No. 40 of 2024) to the Departmental Committee on Sports and Culture.

Copies of the Bill are available at the National Assembly Table Office, Main Parliament Buildings and on www.parliament.go.ke/the-national-assembly/house-business/bills.

The memoranda may be forwarded to the Clerk of the National Assembly, P.O. Box 41842-00100, Nairobi; hand-delivered to the Office of the Clerk, Main Parliament Buildings, Nairobi; or emailed to cn@parliament.go.ke to be received on or before Friday, 3rd April 2026 at 5.00 p.m.

S. NJOROGE, CBS
CLERK OF THE NATIONAL ASSEMBLY
10th March 2026

"For the Welfare of Society and the Just Government of the People"