REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY

Approved
SNA
26/5/26

THIRTEENTH PARLIAMENT – FIFTH SESSION - 2026

SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS

REPORT ON SENATE AMENDMENTS ON THE DIVISION OF REVENUE BILL, 2026(National Assembly Bills No.2 of 2026).

The Clerk's Chambers
National Assembly
Parliament Buildings
NAIROBI

May, 2026

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1.0 CHAIRPERSON'S FOREWORD

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

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

The Division of Revenue Bill (National Assembly Bill No. 2 of 2026) was published on 19th February 2026. It was read in the National Assembly a First Time on Tuesday, February 24, 2026, and subsequently referred to the Budget and Appropriations Committee for recommendations, as outlined in Standing Order 127(2). The National Assembly passed the Bill with amendments on 12th March, 2026, and was referred to the Senate in accordance with the provisions of Article 110(4) of the Constitution and Standing Order 142 of the National Assembly Standing Orders.

The Senate considered the and passed the Bill with amendments on 12th May 2026. The Senate introduced two critical amendments: (i) a new Clause 5 shielding counties from revenue shortfalls by placing the entire burden of underperformance on the national government, and (ii) an increase in the county equitable share from **Ksh.420 billion** to **Ksh.454.74 billion**, thereby reducing the national government's share by a corresponding Ksh.34.74 billion.

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

2.0 PREFACE

2.1 Establishment and Mandate of the Committee

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

2.2 Membership of the Committee

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

CHAIRPERSON

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

VICE CHAIRPERSON

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

MEMBERS

Hon. Chumel, Samwel Moroto, M.P. Kapenguria Constituency UDA PARTY	Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P. Eldas Constituency Jubilee Party

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

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

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

Hon. Mwirigi, John Paul, M.P.
Igembe SouthConstituency
UDA PARTY

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

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

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

Hon. Dr. Edwin Mugo Gichuki
Mathioya Constituency
UDA PARTY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3 Committee Secretariat

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

Mr. Danson Kachumbo
Senior Fiscal Analyst/ Lead Clerk

Dr. Abel Nyagwachi
Senior Fiscal Analyst

Mr. Ringine Mutwiri
Fiscal Analyst/ Clerk Assistant

Mr. Solomon Alubala
Fiscal Analyst

Ms. Loice Olesia
Fiscal Analyst

Mr. David Milimu
Hansard Officer

Ms. Noella Chelagat
Media Relations Officer

Mr. Simon Ouko
Serjeant-at-arms

Mr. Muchiri Mwangi
Audio Officer

Mr. Jared Amara
Office Assistant

Mr.Moses Mwariri
Legal Counsel

2.4 Technical Staff from the Parliamentary Budget Office

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

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

Dr. Evans Kiganda
Principal Fiscal Analyst

2.5 Acknowledgements

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

SIGNED

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HON. ATANDI, SAMUEL ONUNGA, M.P.

CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

22 - 5 - 2026

....

DATE

3.0 REVIEW OF SENATE AMENDMENTS ON THE 2026 DIVISION OF REVENUE BILL.

3.1 Background and legal underpinning of the DORB.

4 The Division of Revenue Bill is prepared in accordance with the provisions of Article 218 of the Constitution. The Constitution requires that a Division of Revenue Bill be introduced in Parliament at least two months before the end of each financial year. The purpose of the Bill is to indicate how the revenue raised nationally by the national government shall be shared among the national and county levels of government.

5 The sharing of revenue contemplated in Article 218 is anchored in Article 202(1) of the Constitution, which requires that revenue raised nationally be shared equitably among the national and county governments. Furthermore, Section 191(2) of the Public Finance Management Act (Cap. 412A) provides that the Division of Revenue Bill shall specify the share of each level of government of the revenue raised nationally for the relevant financial year.

6 The criteria for determining the equitable shares to each level of government is exclusively provided for in Article 203 of the Constitution. The equitable share to county governments is guided by the provisions of Article 203(2), which specifies that for every financial year, the equitable share of the revenue raised nationally that is allocated to county governments shall be not less than 15 percent of the most recent audited accounts of revenue collected by the national government, as approved by the National Assembly.

3.2 Approval Process of the Division of Revenue Bill,2026.

7 Section 42 of the Public Finance Management Act (Cap. 412A) requires that the Division of Revenue Bill be considered and approved by both Houses of Parliament. Article 95(4)(a) of the Constitution, provides the role of the National Assembly in determining the allocation of national revenue between the levels of government. Further Article 96 with regard to the role of the Senate in representing the counties and protecting their interests. Further, the Division of Revenue Bill concerns counties under the provisions of Article 110 of the Constitution, hence requires bicameral approval.

8 The Division of Revenue Bill, 2026, was published on 19th February 2026 and read a First Time in the National Assembly on 24th February 2026. The Bill was subsequently committed to the Budget and Appropriations Committee for consideration and to facilitate Public Participation, as per Standing Order 127(1) of the National Assembly Standing Orders.

9 The Committee processed the Bill and tabled a report in the House for approval. The National Assembly considered the Bill and passed it with amendments on 10th March, 2026. The amendments entailed enhancing the allocation to the equalization fund to align with the provisions of Article 204(1) of the Constitution. The Bill was referred to the Senate in accordance with the provisions of Article 110(4) of the Constitution and Standing Order 142 of the National Assembly Standing Orders.

10 The bill was read for the First Time in the Senate on 18th March, 2026, and committed to the Standing Committee on Finance and Budget for processing. The Committee tabled its report in the Senate on 1st April, 2026. The Senate considered the report and passed the Bill with amendments on 12th May, 2026. Thereafter, the bill was referred back to the National Assembly for reconsideration, as per the provisions of Article 112(1)(b) of the Constitution.

3.3 Contents of the Bill as Passed by the National Assembly

11 The Division of Revenue Bill, as passed by the National Assembly, was organized into four clauses and a Schedule outlining the equitable share to each level of government as well as allocations to the Equalization Fund. The shareable revenue for FY 2026/27 was projected at Ksh.2,901.9 billion (13.9% of GDP), up from the Ksh.2,744.4 billion (14.4% of GDP) projection for FY 2025/26.The amount was proposed to be shared as follows:

a. Ksh.2,471.6 billion to the national governments;
b. Ksh.420 billion as county governments equitable share; and
c. Ksh.10.25 billion as allocation to the Equalisation Fund.

12 The basis of the allocations to counties and to the Equalization Fund allocation was the most recent audited and approved actual revenues raised nationally of Ksh.2,050.1 billion for FY 2022/23; with Ksh.420 billion being equivalent to 20.5 percent and Ksh.10.25 billion being 0.5% of the audited and approved revenue accounts, hence conforming with the provisions of the Constitution.

13 A review of the performance of shareable revenue reveals that, in the last 10 years, ordinary revenue has been performing below target, significantly affecting the projected equitable share to each level of government. While ordinary revenue has grown by over 100% from an actual collection of 1,153.0 billion in FY 2015/16 to Ksh.2,420.2 billion in FY 2024/25, it has generally fallen short of the target by over 10 percent under the same period.

14 Substantial revenue shortfalls occurred in FY 2019/20-Ksh.270.4 billion, FY 2018/19-Ksh.217.2 billion and FY 2023/24 -Ksh.172.1 billion. Ordinary revenue as a percentage of GDP has followed a declining trend, falling from 18.1% in FY 2013/14 to a projected 14.1% in FY 2024/25, and is expected to increase marginally to 14.4% in FY 2025/26.This implies that revenue sharing has been based on unrealistic projections.

15 Underperformance in revenue collection has not only affected the national government budget implementation but also the transfers of the projected equitable share to county governments over the years. A review of revenue collection in the first half of FY 2025/26 showed that ordinary revenue missed the target by Ksh.110.6 billion from an estimated collection of Ksh.1,351.9 billion to an actual collection of Ksh.1,241.3 billion.

16 While passing the bill, the National Assembly made the following observations that justified allocations in the Division of Revenue Bill, 2026:

i. Over the years, the performance of shareable revenue has been below target, significantly affecting the transfers of the projected equitable share to each level of government. Ordinary revenue as a share of GDP has declined from a peak of 18.1% in FY 2013/14 to 14.1% in FY 2024/25. This trend indicates that during this period, the allocation of equitable shares was based on overly optimistic revenue projections.

ii. Whereas shareable revenue is shared equitably under the provisions of the Constitution, the national government has solely been bearing the shortfalls in revenue in any given financial year. The clause placing the burden of shortfalls solely on the national government had been deleted, meaning that the shortfalls would be shared between the two levels of government.

iii. The House noted that the allocation of Ksh.420.0 billion to county governments equitable revenue share was informed by factors such as first setting aside allocations to national interest, public debt-related costs, and other national obligations. Total allocations to these expenditures amounted to Ksh.2,571.8 billion, leaving a balance of Ksh.330.1 billion out of a targeted shareable revenue of Ksh.2,901.1 billion. The balance is Ksh.90 billion was less than the proposed equitable share for counties of Ksh.420 billion. This meant that the government would need to borrow to fund county governments.

iv. Further, the proposed allocations, when compared with the recommendation of CRA, indicated that while the projected shareable revenue for FY 2026/27 was Ksh.2,901.9 billion, the CRA had estimated an amount of Ksh.2,982.8 billion, registering a deviation of Ksh.80.9 billion. Out of these varied projections, the CRA proposed a revenue growth adjustment of Ksh.35 billion, while the National Assembly proposed an increase of Ksh.5 billion for counties.

3.4 Amendments of the DoRB by the Senate

17 The senate considered the bill and passed it with the following amendments:

i. Introduction of a **New Clause 5**, which provided for cushioning of county governments from revenue shortfalls in case of underperformance of the projected shareable revenue in FY 2026/27. The Clause exclusively provides that any revenue shortfalls shall be **borne by the national government** and that any excess revenue can be used to reduce borrowing by the national government. The new clause reads as follows:

   Clause-5(1): *If the actual revenue raised nationally in the 2026/2027 financial year falls short of the expected revenue set out in the Schedule, the national government shall bear the shortfall.*

   Clause- 5(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 offset debt.*

ii. The other amendment was the deletion of the Schedule in the bill and substituting therefor a new Schedule. The new Schedule sets out new allocations for both levels of government. Analysis of the Senate allocations against the allocations proposed by the National Assembly indicates that the national government share was reduced by Ksh.34.74 billion from Ksh.2,471.6 billion to Ksh.2,436.9 billion. Consequently, the allocations to county governments were enhanced by Ksh.34.74 billion from **Ksh.420 billion** to **Ksh.454.74 billion**. A summary of the changes is presented in the table below.

Type/level of allocation	National Assembly	Senate	Variance
A. Total Sharable Revenue	2,901,874,758,144	2,901,874,758,144	-
B. National Government	2,471,624,184,439	2,436,881,026,561	(34,743,157,879)
C. Equalization Fund	10,250,573,705	10,250,573,705	-
D. County equitable share	420,000,000,000	454,743,157,879	34,743,157,879

18 The proposed Ksh.454.74 billion to the county governments by the Senate is equivalent to 22.2 % of the FY 2022/23 audited and approved Revenue of Ksh.2,050.1 billion.

3.5 Committee Observations

19 Having considered the amendments of the Senate on the Division of Revenue Bill, the Committee has made the following observations:

i. While the proposed equitable to county governments for FY 2026/27 has been set at **Ksh.454.7 billion**, a review of the budget estimates submitted to Parliament indicates that county government is allocated Ksh.420 billion as proposed by the National Assembly. This means that additional funding will be required to cater for the upward adjustment of the county allocation or a counter-reduction in the National Government budget.

ii. In the approval of the Bill, both Houses **did not include** the proposed allocation of Ksh.8.94 billion for UHC workers for transition into permanent and pensionable terms as proposed by the Commission on Revenue Allocation (CRA) and the Council of Governors (CoG) as equitable share. This was due to the fact such inclusion would disadvantage some county governments, and further, once money is set aside as equitable share no conditions would be attached to it. The **Ksh.8.94 billion** has since been provided for in FY 2026/27 proposed budget estimates under the State Department for Medical Services as conditional transfer to county governments.

iii. The introduction of **New Clause 5** in the Bill that cushions county governments from any revenue shortfalls in course of the financial year implies that the national government shall continue to bear the revenue underperformance as observed in previous years. This means that without a downward adjustment in the national government budget, any revenue shortfall would result in additional borrowing to cover the financing gap.

3.6 Recommendations

20 Having considered the amendments on the Division of Revenue by the Senate, the Committee recommends that this House **REJECTS** the Bill as amended by the Senate.

SIGNED

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

22 · 5 · 2026 .... **DATE**

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 26 MAY 2026	DAY. Tuesday
TABLED BY:	Leader of the Majority Party
CLERK-AT THE-TABLE:	Gertrude Chebet

REPUBLIC OF KENYA

NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT- FIFTH SESSION (2026)

BUDGET AND APPROPRIATIONS COMMITTEE
ADOPTION SCHEDULE

We, the undersigned Members of the Budget and Appropriations Committee, today.........................do hereby affix our signatures to this **REPORT OF BUDGET AND APPROPRIATIONS COMMITTEE ON THE CONSIDERATION OF SENATE AMENDMENTS ON THE DIVISION OF REVENUE BILL (National Assembly Bill No. 2 of 2016)** to affirm our approval and confirm accuracy, validity and authenticity: -

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

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