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REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY

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

REPORT ON THE THE DIVISION OF REVENUE BILL, 2024

The Clerk's Chambers
National Assembly
Parliament Buildings
NAIROBI

March, 2024

THE NATIONAL ASSEMBLY	
PAPERS LAID	
DATE:	19 MAR 2024 Tuesday
TABLED BY:	Hon. Mary Emaase (Vice Chairperson, Budget & Appropriations Committee)
SIGNED BY:	Inzofu Mwale

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1.0 CHAIRPERSON'S FOREWORD

The select Committee on Budget and Appropriations is established pursuant to Article 221 (4 and 5) of the Constitution, section 7 of the Public Finance Management Act, 2012 and Standing Order 207. The Committee is mandated to take the lead in budgetary oversight by the National Assembly including consideration of the Division of Revenue Bill.

The Division of Revenue Bill (National Assembly Bill No.14 of 2024) was published on 8th March 2024 following the approval of the Budget Policy Statement by the National assembly. The bill was read a First time in the National Assembly during the afternoon sitting of Tuesday 12th, March, 2024. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for review and recommendations.

The objective of the Bill is to provide for the vertical sharing of revenue raised nationally between the national government and county governments for the financial year 2024/25 in accordance with Article 202, 203,205 and 218 of the Constitution. To this end, the enactment of the Division of Revenue Bill, 2024 is critical in setting the stage for the preparation of the County Allocation of Revenue Bill, 2024, which will inform the firming up and completion of preparation of the annual budget estimates for the forty-seven county governments.

Article 224 of the Constitution requires that County Governments prepare and adopt their annual budgets and appropriations bills based on the approved Division of Revenue Act. It is important therefore that the Houses considers the approval and subsequent enactment of the Bill in a timely manner to facilitate uninterrupted county budgeting process.

On behalf of the Budget and Appropriations Committee, it is therefore my pleasant duty and privilege, to lay this report on the evaluation of the proposed Division of Revenue Bill (National Assembly Bill No. 14 of 2024) for consideration and approval by the House.

2.0 PREFACE

Establishment and Mandate of the Committee

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

Membership of the Committee

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

CHAIRPERSON

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

VICE CHAIRPERSON

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

MEMBERS

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

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

Hon. (Dr.) Mulu, Makali, M.P.
Kitui Central Constituency
WDM – Kenya

Hon. Lekuton, Joseph, M.P.
Laisamis Constituency
UDM 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. Ochieng, David Ouma, M.P.
Ugenya Constituency
MDG PARTY | Hon. Muchira, Michael Mwangi, M.P.
Ol Jorok Constituency
UDA PARTY |
| Hon. Shinali, Bernard Masaka, M.P.
Ikolomani Constituency
ODM PARTY | Hon. Mwakuwona, Danson Mwashako, M.P.
Wundanyi Constituency
WDM – Kenya |
| Hon. Atandi, Samuel Onunga, M.P.
Alego Usonga Constituency
ODM PARTY | Hon. Mwirigi, John Paul, M.P.
Igembe South Constituency
UDA PARTY |
| Hon. Mejjadonk, Benjamin Gathiru, M.P.
Embakasi Central Constituency
UDA PARTY | Hon. Wangaya, Christopher Aseka, M.P.
Khwisero Constituency
ODM PARTY |
| Hon. Wachira, Rahab Mukami, M.P.
Nyeri County
UDA PARTY | Hon. Masara, Peter Francis, M.P.
Suna West Constituency
ODM PARTY |
| Hon. Ongili, Babu Owino Paul, M.P.
Embakasi East 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.) Murumba, John Chikati, M.P.
Tongaren Constituency
FORD-Kenya |
| Hon. Busia, Ruth Adhiambo Odinga, M.P.
Kisumu County
ODM PARTY | Hon. Kitilai, Ole Ntutu, M.P.
Narok South
Independent |
| Sergon, Flowrence Jematiah, M.P.
Baringo County
UDA PARTY | Hon. Mokaya, Nyakundi Japheth, M.P.
Kitutu Cache North Constituency
UDA PARTY |
| Hon. Abdirahman Mohamed Abdi, M.P.
Lafey Constituency
Jubilee Party | |

Committee Secretariat

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

Mr. Danson Kachumbo
Fiscal Analyst/ Lead Clerk

Mr. Ringine Mutwiri
Fiscal Analyst/ Clerk Assistant

Ms. Sylvia Ocharo
Clerk Assistant

Mr. Jibril Mohamud
Fiscal Analyst/ Clerk Assistant

Mr. Simon Ouko
Serjeant-at-arms

Mr. Moses Mwariri
Legal Counsel

Mr. Nimrod Ochieng
Audio Officer

Mr. David Milimu
Hansard Officer

Ms. Fridah Ngari
Media Relations

Ms. Shamsa Abdi
Research Officer

Mr. Jared Amara
Office Assistant

Technical Staff from Parliamentary Budget Office

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

Dr. Martin Masinde
Director, Parliamentary Budget Office

Mr. Fredrick Muthengi
Deputy Director

Ms. Millicent Makina
Fiscal Analyst I

Mr. Kioko Kiminza
Fiscal Analyst III

3.0 ACKNOWLEDGEMENTS

5. The Committee wishes to thank the Office of the Speaker, the Office of the Clerk of the National Assembly facilitation during the consideration of this Bill. The Committee extends its gratitude to the Parliamentary Budget Office for the technical support extended in fulfilling this mandate of reviewing the Division of Revenue Bill (National Assembly Bill No. 14 of 2024).

SIGNED



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HON. OTUCHO MARY EMAASE, M.P.
VICE CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

19/03/2024

.....
DATE

4.0 REVIEW OF THE 2024 DIVISION OF REVENUE BILL

4.1 Background

6. The National Assembly considered and adopted the Report of the Budget and Appropriations Committee on the 2024 Budget Policy Statement on Thursday 7th March 2024. This paved the way for the publication and subsequent introduction of the Division of Revenue Bill in the National Assembly. The Budget Policy Statement (BPS) is the precursor to the Division of Revenue Bill, since it sets the fiscal framework underpinning the resource envelop and sharable revenue.
7. The Division of Revenue Bill (National Assembly Bill No. 14 of 2024) was read a First time in the National Assembly during the afternoon sitting of Tuesday 12th, March, 2024. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for consideration, facilitation of public participation and reporting to the House.
8. The Bill provides for the vertical sharing of revenue raised nationally between the national government and county governments for the financial year 2024/25 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution. The basis for determination of the revenue to be shared is the most recent audited accounts of revenue received as approved by the National Assembly.
9. The most recent audited revenues approved by the National Assembly relate to FY 2020/21 and stood at Kshs. 1,570,562,942,014. The revenue is shared equitably between the two levels of government then through the County Allocation of Revenue Bill, the county share is distributed among counties using the formula approved pursuant to Article 217 of the Constitution.
10. Article 204 of the Constitution establishes the Equalization Fund into which there is to be paid one half percent of the revenue collected by the national government each year calculated on the basis of the most recent audited accounts of revenue approved by the National Assembly. The Bill therefore provides for the allocation to the Fund which meets the criteria set out in the Constitution. Further during the BPS, the Committee allocated Kshs. 3.5 billion towards arrears to the equalization fund.
11. The Committee held two sittings to evaluate the Division of Revenue Bill. Further pursuant to Article 118(1) of the Constitution on public participation and Article 201 on the principles of public finance including openness and public participation, the Committee invited submission of views from the general public through request for Memorandum that was published in the newspapers and on the website of Parliament. The Committee received submissions from the University of Nairobi Women Economic Empowerment Hub.

4.2 Highlights of the Division of Revenue Bill, 2024

12. The Division of Revenue Bill contains five (5) clauses, the schedule on allocation of revenue raised nationally between the national and county governments and an explanatory memorandum to the provisions of the bill. Clause 1 provides for the short title, Clause 2 is on interpretation of the Bill, Clause 3 provides for object and purpose of the bill, Clause 4 prescribes the allocations for the national government and the county governments from the revenue raised nationally.
13. Clause 5 of the Bill outlines the mechanisms for adjusting for variations in revenues emanating from revenue performance during the financial year. More specifically it states that any shortfalls in revenue collection will solely be borne by the national government and should revenues overperform the additional may be applied towards reducing the fiscal deficit.
14. The schedule to the Bill provides that the total shareable revenue for FY 2024/25 is estimated at Kshs 2,948,123,505,582 and is allocated as follows;
- | | |
|---------------------------------------|-------------------------|
| i. National Government Share | Kshs. 2,549,153,902,710 |
| ii. County Government Equitable Share | Kshs 391,116,788,147 |
| iii. Equalization Fund | Kshs 7,852,814,725 |
15. Article 201 of the Constitution on the Principles of Public Finance is elaborate that the revenue raised nationally shall be shared equitably among national and county governments. Article 203(2 and 3) expressly states that for every financial year, the equitable share of the revenue raised nationally that is allocated to county governments shall be not less than fifteen per cent of all revenue collected by the national government calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.
16. The Committee noted that the proposed Equitable Share for the county governments for FY 2024/25 of Kshs. 391.116 billion is equivalent to 24.9 percent of the last approved audited revenues amounting to Kshs Kshs. 1,570,562,942,014 for FY 2020/21 and is above the 15% set constitutional threshold. The proposed allocation therefore meets the requirement of Article 203(2) of the Constitution.
17. The Committee noted that the following factors were taken into consideration in calculating the County Governments' equitable share of revenue allocation for FY 2024/25;
- (i) Increased expenditures for National Government for purposes of debt servicing coupled with a weakening shilling against the dollar;

- (ii) The Government commitment to implement a fiscal consolidation plan targeting to reduce the fiscal deficit to 3.9 percent of GDP in FY 2024/25. This is designed to slow down accumulation of public debt;
 - (iii) Financing constraints due to limited access to finance in the domestic and international financial markets;
 - (iv) Low ordinary revenue collections attributed to the ongoing geopolitical shocks including the US Federal Reserve's interest rate hike which has negatively affected the dollar exchange rate against the Kenya shilling and the international debt market; and
 - (v) The National Government continues to solely bear shortfalls in revenue in any given financial year. However, County Governments continue to receive their full allocation despite the budget cuts affecting the National Government entities.
18. Article 203 (1) of the 2010 Constitution provides for the criteria to be considered in allocating resources between the national and county governments. The criteria include considerations on matters of national interest, provisions for public debt and other national obligations, needs of the national and county government to perform their functions, desirability of stable and predictable revenues and flexibility to manage emergencies and other temporary needs.
19. The Committee observed that the identified programmes of national interest that have a national outreach and have been factored in this determination include: enhancement of security operations; national irrigation and fertilizer subsidy initiatives; Youth Empowerment; provision of national social safety net for vulnerable groups, and school examination fees subsidy. Allocations for these programs is expected to increase significantly from Kshs. 97,854 million in FY 2023/24 to Kshs. 106,830 million in FY 2024/25 on account of increased allocation to fertilizer subsidy, youth empowerment and national social safety net programs.
20. With regard to the public debt and other national obligations, the Bill has taken into account public debt related costs comprising debt redemption cost as well as the interest payment for both domestic and external debt. In financial year 2024/25, the allocation for payment of public debt related costs is expected to increase from Kshs. 1,187,784 million in FY 2023/24 to Kshs. 1,352,610 million. The Committee underscored the need for sustained fiscal consolidation efforts to achieve the debt anchor approved by Parliament at 55 percent of the GDP by the year 2029.
21. Article 218(2) of the Constitution and section 191(5) of the Public Finance Management Act (Cap. 412A) requires that the Division of Revenue Bill be

accompanied by a summary of any significant deviation from the recommendations of the Commission on Revenue Allocation (CRA) and those of the Intergovernmental Budget and Economic Council (IBEC).

22. The recommendation of the Commission on Revenue Allocation is that County Governments' equitable share be set at Kshs. 398.14 billion to be shared among county governments based on the formula for sharing revenue under Article 217 of the Constitution. The difference between the proposed allocation by the DORB and CRA is occasioned by adjustment for revenue growth where the DORB has proposed an increase of Kshs. 16.6 billion while CRA has proposed an increase of Kshs. 22.5 billion for county governments.

5.0 OBSERVATIONS

23. The Committee noted that the Division of Revenue Bill meets the required constitutional and legal threshold for approval. Further the Committee observed that in its report on the 2024 BPS, the house directed the Intergovernmental Relations Technical Committee (IGRTC) to gazette all functions of county governments that are being implemented by the National government, for transfer to counties. This will unlock more resources to the subnational government and bring services closer to the people.

6.0 RECOMMENDATIONS

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

i. National Government Share	Kshs. 2,549,153,902,710
ii. County Government Equitable Share	Kshs 391,116,788,147
iii. Equalization Fund	Kshs 7,852,814,725

25. Finally, the Committee requests that this House approves the Division of Revenue Bill, 2024 be read a Second time.

 SIGNED

HON. OTUCHO MARY EMAASE, M.P.

VICE CHAIRPERSON, THE BUDGET AND APPROPRIATIONS COMMITTEE

19/03/2024

DATE

REPUBLIC OF KENYA





NATIONAL ASSEMBLY
THIRTEENTH PARLIAMENT

**BUDGET AND APPROPRIATIONS COMMITTEE
ADOPTION SCHEDULE**

We, the undersigned Members of the Budget and Appropriations Committee, today.....19.03.24.....do hereby affix our signatures to this **REPORT OF BUDGET AND APPROPRIATIONS COMMITTEE ON THE DIVISION OF REVENUE BILL, 2024** to affirm our approval and confirm accuracy, validity and authenticity: -

NAME	SIGNATURE
1. Hon. Ndindi, Nyoro, CBS, M.P.- Chairperson	
2. Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson	
3. Hon. Chumel, Samwel Moroto, CBS, M.P.	
4. Hon. Odhiambo, Millie Grace Akoth, CBS, M.P.	
5. Hon. (Dr.) Mulu, Makali, M.P.	
6. Hon. Lekuton, Joseph, 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. Shinali, Bernard Masaka, M.P.	
12. Hon. Mwakuwona, Danson Mwashako, M.P.	
13. Hon. Atandi, Samuel Onunga, M.P.	
14. Hon. Mwirigi, John Paul, M.P.	

NAME	SIGNATURE
15. Hon. Mejjadonk, Benjamin Gathiru, M.P.	
16. Hon. Wangaya, Christopher Aseka, M.P.	
17. Hon. Wachira, Rahab Mukami, M.P.	
18. Hon. (Dr.) Masara, Peter Francis, M.P.	
19. Hon. (Dr.) Ongili, Babu Owino Paul, M.P.	
20. Hon. Wanjiku, John Njuguna, M.P.	
21. Hon. Guyo, Ali Wario, M.P.	
22. Hon. (Dr.) Murumba, John Chikati, M.P.	
23. Hon. Busia, Ruth Adhiambo Odinga, M.P.	
24. Hon. Kitilai, Ole Ntutu, M.P.	
25. Hon. Sergon, Flowrence Jematiah, M.P.	
26. Hon. Mokaya, Nyakundi Japheth, M.P.	
27. Hon. Abdirahman Mohamed Abdi, M.P.	

**MINUTES OF THE 16TH SITTING OF THE SELECT COMMITTEE ON
BUDGET & APPROPRIATIONS HELD ON TUESDAY, 19TH MARCH 2024
FROM 9.30 A.M. AT THE MAIN CHAMBER, PARLIAMENT BUILDINGS**

PRESENT:

- 1. Hon. Otucho, Mary Emaase, M.P.- Vice Chairperson**
- Hon. Chumel, Samwel Moroto, M.P.
- Hon. (Dr.) Mulu, Makali, M.P.
- Hon. Lesuuda, Josephine Naisula, OGW, M.P.
- Hon. Ochieng, David Ouma, M.P.
- Hon. Shinali, Bernard Masaka, M.P.
- Hon. Mwakuwona, Danson Mwashako, M.P.
- Hon. Atandi, Samuel Onunga, M.P.
- Hon. Muchira, Michael Mwangi, M.P.
- Hon. Mwirigi, John Paul, M.P.
- Hon. Wangaya, Christopher Aseka, M.P.
- Hon. Wanjiku, John Njuguna, M.P.
- Hon. (Dr.) Murumba, John Chikati, M.P.
- Hon. Guyo, Ali Wario, M.P.
- Hon. Busia, Ruth Adhiambo Odinga, M.P.
- Hon. Sergon, Flowrence Jematiah, M.P.

ABSENT WITH APOLOGY:

- 1. Hon. Ndindi, Nyoro, CBS, M.P.- Chairperson**
- Hon. Odhiambo, Millie Grace Akoth, M.P.
- Hon. Lekuton, Joseph, M.P.
- Hon. Robi, Mathias Nyamabe, M.P.
- Hon. Mejjadonk, Benjamin Gathiru, M.P.
- Hon. Wachira, Rahab Mukami, M.P.
- Hon. (Dr.) Masara, Peter Francis, M.P.
- Hon. (Dr.) Ongili, Babu Owino Paul, M.P.
- Hon. Kitilai, Ole Ntutu, M.P.
- Hon. Mokaya, Nyakundi Japheth, M.P.
- Hon. Abdirahman Mohamed Abdi, M.P.

COMMITTEE SECRETARIAT

1. Mr. Danson Kachumbo	Fiscal Analyst I/ Clerk
2. Mr. Jibril Mohamud	Fiscal Analyst III/ Assistant Clerk
3. Mr. Ringine Mutwiri	Fiscal Analyst III/ Assistant Clerk
4. Ms. Sylvia Ocharo	Clerk Assistant III/ Assistant Clerk
5. Mr. Nimrod Ochieng	Audio Officer
6. Ms. Shamsa Ahmed	Research Officer
7. Ms. Fridah Ngari	Media Relations Officer
8. Mr. Simon Ouko	Sergeant-at-Arms

AGENDA

1. *Prayers;*
2. *Preliminaries:*
3. *Consideration and adoption of the Committee draft report on the Division of Revenue Bill (DoRB), 2024*
4. *Any Other Business (A.O.B); and*
5. *Adjournment.*

MIN.NO.NA/BAC/2024/75: PRELIMINARIES

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 9.30 a.m. A prayer was said by Hon. (Dr.) Mulu, Makali, M.P.

MIN.NO.NA/BAC/2024/76: ADOPTION OF THE AGENDA

The agenda of the meeting was adopted as having been proposed and seconded by The Hon. Guyo, Ali Wario, M.P. and Hon. Muchira, Michael Mwangi, M.P respectively.

MIN.NO.NA/BAC/2024/77: ADOPTION OF THE DRAFT REPORT ON THE DIVISION OF REVENUE BILL (DORB), 2024

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. (Dr.) Mulu, Makali, M.P. and seconded by Hon. Sergon, Flowrence Jematiah. After deliberations the report was **ADOPTED** as follows:

1. The National Assembly considered and adopted the Report of the Budget and Appropriations on the 2024 Budget Policy Statement on Thursday 7th March 2024. This paved the way for the publication and subsequent introduction of the Division of Revenue Bill in the National Assembly. The Budget Policy Statement (BPS) is the precursor to the Division of Revenue Bill, since it sets the fiscal framework underpinning the resource envelop and sharable revenue.
2. The Division of Revenue Bill (National Assembly Bill No. 14 of 2024) was read a first time in the National Assembly during the afternoon sitting of Tuesday 12th, March, 2024. Pursuant to Standing Order 127(2), the Bill was committed to the Budget and Appropriations Committee for consideration, facilitation of public participation and reporting to the House.
3. The Bill provides for the vertical sharing of revenue raised nationally between the national government and county governments for the financial year 2024/25 in accordance with Article 202, 203, 205 and 218 (2) of the Constitution. The basis for determination of the revenue to be shared is the most recent audited accounts of revenue received as approved by the National Assembly.
4. The most recent audited revenues approved by the National Assembly relate to FY 2020/21 and stood at Kshs. 1,570,562,942,014. The revenue is shared

equitably between the two levels of government then through the County Allocation of Revenue Bill, the county share is distributed among counties using the formula approved pursuant to Article 217 of the Constitution.

5. Article 204 of the Constitution establishes the Equalization fund into which there is to be paid one half percent of the revenue collected by the national government each year calculated on the basis of the most recent audited accounts of revenue approved by the National Assembly. The Bill therefore provides for the allocation to the equalization fund which meets the criteria set out in the Constitution. Further during the BPS, the Committee allocated Kshs. 3.5 billion shillings towards arrears to the equalization fund.
6. The Committee held two sittings to evaluate the Division of Revenue Bill. Further pursuant to Article 118(1) of the Constitution on public participation and Article 201 on the principles of public finance including openness and public participation, the Committee invited submission of views from the general public through request for Memorandum that was published in the newspapers and on the website of Parliament.

Highlights of the Division of Revenue Bill, 2024

7. The Division of Revenue Bill contains five (5) clauses, the schedule on allocation of revenue raised nationally between the national and county governments and an explanatory memorandum to the provisions of the bill. Clause 1 provides for the short title, Clause 2 is on interpretation of the Bill, Clause 3 provides for object and purpose of the bill, Clause 4 prescribes the allocations for the national government and the county governments from the revenue raised nationally.
8. Clause 5 of the Bill outlines the mechanisms for adjusting for variations in revenues emanating from revenue performance during the financial year. More specifically it states that any shortfalls in revenue collection will solely

be borne by the national government and should revenues overperform the additional may be applied towards reducing the fiscal deficit.

9. The schedule to the Bill provides that the total shareable revenue for FY 2024/25 is estimated at Kshs 2,948,123,505,582 and is allocated as follows;

- | | | |
|------|-----------------------------------|----------------------|
| i. | National Government Share | Kshs. |
| | 2,549,153,902,710 | |
| ii. | County Government Equitable Share | Kshs 391,116,788,147 |
| iii. | Equalization Fund | Kshs 7,852,814,725 |

10. Article 201 of the Constitution on the Principles of Public Finance is elaborate that the revenue raised nationally shall be shared equitably among national and county governments. Article 203(2 and 3) expressly states that for every financial year, the equitable share of the revenue raised nationally that is allocated to county governments shall be not less than fifteen per cent of all revenue collected by the national government calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.

11. The Committee noted that the proposed Equitable Share for the county governments for FY 2024/25 of Kshs. 391.116 billion is equivalent to 24.9 percent of the last approved audited revenues amounting to Kshs. 1,570,562,942,014 for FY 2020/21 and is above the 15% set constitutional threshold. The proposed allocation therefore meets the requirement of Article 203(2) of the Constitution.

12. The Committee noted that the following factors were taken into consideration in calculating the County Governments' equitable share of revenue allocation for FY 2024/25;

- (i) Increased expenditures for National Government for purposes of debt servicing coupled with a weakening shilling against the dollar;

- (ii) The Government commitment to implement a fiscal consolidation plan targeting to reduce the fiscal deficit to 3.9 percent of GDP in FY 2024/25. This is designed to slow down accumulation of public debt;
- (iii) Financing constraints due to limited access to finance in the domestic and international financial markets;
- (iv) Low ordinary revenue collections attributed to the ongoing geopolitical shocks including the US Federal Reserve's interest rate hike which has negatively affected the dollar exchange rate against the Kenya shilling and the international debt market; and
- (v) The National Government continues to solely bear shortfalls in revenue in any given financial year. However, County Governments continue to receive their full allocation despite the budget cuts affecting the National Government entities.

13. Article 203 (1) of the 2010 Constitution provides for the criteria to be considered in allocating resources between the national and county governments. The criteria include considerations on matters of national interest, provisions for public debt and other national obligations, needs of the national and county government to perform their functions, desirability of stable and predictable revenues and flexibility to manage emergencies and other temporary needs.

14. The Committee observed that the identified programmes of national interest that have a national outreach and have been factored in this determination include: enhancement of security operations; national irrigation and fertilizer subsidy initiatives; Youth Empowerment; provision of national social safety net for vulnerable groups, and school examination fees subsidy. Allocations for these programs is expected to increase significantly from Kshs. 97,854 million in 2023/24 to Kshs. 106,830 million in 2024/25 on account of

increased allocation to fertilizer subsidy, youth empowerment and National social safety net programs.

15. With regard to the public debt and other national obligations, the Bill has taken into account public debt related costs comprising debt redemption cost as well as the interest payment for both domestic and external debt. In financial year 2024/25, the allocation for payment of public debt related costs is expected to increase from Kshs. 1,187,784 million in FY 2023/24 to Kshs. 1,352,610 million. The Committee underscored the need for sustained fiscal consolidation efforts to achieve the debt anchor approved by Parliament at 55 percent of the GDP by 2029.
16. Article 218(2) of the Constitution and section 191(5) of the Public Finance Management Act (Cap. 412A) requires that the Division of Revenue Bill be accompanied by a summary of any significant deviation from the recommendations of the Commission on Revenue Allocation (CRA) those of the Intergovernmental Budget and Economic Council (IBEC).
17. The recommendation of the Commission on Revenue Allocation is that County Governments' equitable share be set at Kshs. 398.14 billion. This allocation is to be shared among county governments based on the formula for sharing revenue under Article 217 of the Constitution. The difference between the proposed allocation by the DORB and CRA is occasioned by adjustment for revenue growth where the DORB has proposed an increase of Kshs. 16.6 billion while CRA has proposed an increase of Kshs. 22.5 billion for county governments.

OBSERVATIONS

18. The Committee noted that the Division of Revenue Bill meets the required constitutional and legal threshold for approval. Further the Committee observed that in its report on the 2024 BPS, the house directed the Intergovernmental Relations Technical Committee (IGRTC) to gazette all

