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REPUBLIC OF KENYA
EQUALISATION FUND ADVISORY BOARD

ANNUAL REPORT FOR FISCAL YEAR 2024/25 ON
IMPLEMENTATION OF THE EQUALIZATION FUND

JULY, 2025

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 26 NOV 2025 DAY: WEDNESDAY

TABLED BY:	DEPUTY MAJORITY WHIP
CLERK AT TABLE:	FINLAY

Vision

Improve access of basic services for the marginalized areas

Mission

To provide advisory on prioritization and disbursements of the Equalisation funds, oversight project implementation and foster collaboration between the National and County Governments

Core Values

Inclusivity

The Equalisation Fund is committed to fostering a culture of inclusivity as required by the Constitution of Kenya 2010, ensuring that all marginalized communities, regardless of their ethnic or any other distinction, are given equal opportunities to access services and resources.

Transparency and Accountability

We are committed to upholding the highest standards of transparency in all our operations, ensuring that information is openly shared with our stakeholders.

Professionalism

We approach our work with a deep sense of responsibility and dedication to excellence. By adhering to high ethical standards and delivering quality service, we ensure that all interactions, both internal and external, reflect the competence and commitment expected from a public institution with a mandate such as ours.

Teamwork

Our success depends on the combined efforts of a dedicated team working in unison toward the common goal of strengthening our ability to serve marginalized communities.

Collaboration

Our Mandate entails working hand-in-hand with various stakeholders—National Government, County Governments, and the communities we serve. Through collective effort and shared resources, we develop solutions that effectively address the diverse needs of marginalized communities in line with our legal mandate.

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Abbreviations and Acronyms

CDF – Constituency Development Fund
CG – County Government
COB – Controller of Budget
COG – Council of Governors
CoK 2010 – Constitution of Kenya 2010
CRA – Commission on Revenue Allocation
CTC – County Technical Committee
DORA – Division of Revenue Act
EF – Equalisation Fund
EFA - Equalisation Fund Administration
EFAA – Equalisation Fund Appropriating Act
EFAB – Equalisation Fund Advisor Board
FCDC - Frontier Counties Development Council,
FMP – First Marginalization Policy
GoK – Government of Kenya
IBEC - Intergovernmental Budget and Economic Council,
IFMIS - Integrated Finance Management System
MDAs- Ministries, Departments and Agencies
NA – National Assembly
PFM – Public Finance Management
PFMA - Public Finance Management Act
sCTC – Sub-County Technical Committee
SDA – State Department and Agency
SDBE - State Department for Basic Education
SDE - State Department of Energy
SDI - State Department for Irrigation
SDMS - State Department for Medical Services
SDR - State Department for Roads
SDTVET - State Department for Technical, Vocational
Education and Training
SDWS - State Department for Water and Sanitation

Foreword

The Equalisation Fund (EF), established under Article 204 of the Constitution of Kenya, reflects the nation's commitment to rectifying disparities in access to basic services across the country. The Fund is entitled to receive one-half percent (0.5%) of all the revenue collected by the national government each year calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly. EF is a crucial constitutional intervention designed to provide essential services such as water, roads, health facilities, and electricity, thereby ensuring that citizens in identified marginalized areas have access to quality services at the level generally enjoyed by the rest of the country, as far as possible.

The report provides objective assessment of the milestones that the Fund has so far attained. Among the milestones that we share in this include the progress that has been made in implementing the First marginalization Policy projects funded under the Equalization Fund Appropriation Act, 2018. It is also with immense pride that we report significant progress in implementation of projects under the Second Marginalization Policy funded through the Equalization Fund Appropriation Act, 2023. The projects under the Second Policy, implemented through conditional grants to the beneficiary county governments, demonstrates the success of inter-governmental collaboration between the National and County Governments in actualizing spirit of Article 204 of the Constitution of Kenya (CoK, 2010).

In the period under review, the Fund continued to honour its disbursement obligations to the implementing agencies. Under the First Policy, in the FY 2024/25, **Ksh. 311.35 million** was disbursed to national Ministries, Departments and Agencies (MDAs), while under the Second Policy, **Ksh. 2.85 billion** was disbursed to the beneficiary county governments.

The Equalization Fund Advisory Board remains committed to supporting the implementation of projects financed through the Fund, with the ultimate goal of improving the quality of services for Kenyans residing in identified marginalized areas across the country. /



Amb. (Eng.) Mahboub Mohamed
Board Chairperson

Preface

The Equalisation Fund is mandated under Article 204(2) of the constitution to provide basic services, including water, roads, health facilities, and electricity, to marginalized areas to the extent necessary that brings the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible.

This annual and fourth quarterly Report for Fiscal Year 2024/25 provides a framework for feedback, information sharing, and serves as an accountability and transparency mechanism for projects funded by the Fund. Additionally, the report is prepared in compliance with Regulation 27 of the Public Finance Management (Equalization Fund Administration) Regulations, 2021, that requires the Board, on a quarterly basis, to submit a report to the Cabinet Secretary with a copy to the Commission on Revenue Allocation and the Controller of Budget. The report contains details on programs approved for financing by the Fund, disbursements to implementing entities, the status of project implementation, restriction imposed on implementing entities, as well as achievements, challenges, and lessons learnt during the review period.

The preparation of this quarterly report was undertaken through a highly consultative process, coordination by the Technical Services Department, and involved contributions from all departments of the Fund. I invite all stakeholders to study the report and make their contribution in resolving the challenges and harness the opportunities. As we embark on implementing the recommendations, we commit to sustaining collaboration with all stakeholders, as such partnerships are critical to the successful achievement of the objectives of the Equalisation Fund.



GUYO BORU

C.E.O/FUND ADMINISTRATOR

Executive Summary

This annual and the fourth quarterly report for the Financial Year 2024/2025 on the implementation of the Equalisation Fund presents the status of projects financed by the Fund in the review period. The report is prepared in accordance with Regulations 22 (g) and 27 of Public Finance Management (Equalisation Fund Administration) Regulations, 2021, and provides a detailed assessment of the status of project implementation and the overall performance of the Fund.

As established under Article 201(1) of CoK, 2010, the Government shall use the Equalisation Fund only to provide basic services including water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible. The report therefore covers the Fund's execution, including project financing, disbursements, progress, and legal frameworks underpinning its operationalization.

In establishing the Fund, the Constitution, in Article 204 (1) requires that one-half per cent (0.5%) of all the revenue collected by the National Government each year-calculated on the basis of the most recent audited revenue received, as approved by the National Assembly-to be paid into the Fund for the purposes of Article 204 (2). In this regard, the total entitlement to the Fund since inception is **Ksh. 80,092,840,794**, however, as of June 30th, 2025, only **Ksh. 15.93** billion has been paid into the Fund leaving arrears amounting to **Ksh 64,162,840,794**. The Fund has had two Appropriation Acts totaling to **Ksh. 22,730,317,433**; EF Appropriations Act, 2018 **Ksh. 12.4** billion while EF Appropriations Act, 2023 **Ksh. 10,330,317,433**.

The Commission on Revenue Allocation (CRA) is mandated under Article 216 (4) to determine, publish and regularly review a policy in which it sets out the criteria by which to identify the marginalised areas for purposes of Article 204 (2). So far, CRA has published two marginalization policies that identify marginalized areas and criteria for revenue allocation. In this regard, the 1st Policy on Marginalization (2013) identified **14** counties, that became the initial beneficiaries of the Equalisation Fund, as per the Equalisation Fund Appropriation Act, 2018.

Subsequently, the Equalisation Fund Appropriation Act, 2018 appropriated a total of Ksh. 12.4 billion to the 14 counties being allocations for FYs 2014/15, 2015/16 and 2016/17 for implementation of the First Marginalization Policy. From the total appropriated amount, Ksh. 11.8 billion was earmarked for the implementation of 360 projects across the 14 beneficiary counties, administered *directly* through various national government Ministries, Departments and Agencies (MDAs). These projects in the initial 14 beneficiary counties are at varying stages of implementation. Analysis of the consolidated EF project implementation Status Reports submitted by MDAs to the Fund show that 82 per cent of First Policy projects are complete, while only 10 per cent of projects are at less than 50% completion.

In the Fiscal Year 2024/25, a total of Ksh. 311.35 million was disbursed to implementing MDAs, for projects under the First Policy bringing the cumulative disbursement to Ksh. 10,730,467,153 as of June 30, 2025.

The Second Policy on Marginalization, published in 2018, expanded the scope of analysis from counties to sub-locations. Within this framework, the Policy identified 1,424 marginalized areas as planning units, distributed across 366 wards, 111 constituencies, and 34 counties. Subsequently, the Equalisation Fund Appropriation Act, 2023 appropriated Ksh.10.3 billion for implementation of the Second Marginalization Policy.

Under the second policy, as of June 30, 2025, the Equalization Fund Advisory Board had received 1,594 project proposals from the 34 eligible counties. Of these, 1,556 projects had been approved for implementation. The approved projects span the sectors of Education, Energy, Health, Roads, and Water. At the time of reporting, counties had already commenced implementation of the approved projects, with 22 percent reported as practically complete and in use by beneficiary communities.

Despite the milestones achieved, the operations of the Fund have not been without challenges. These include lengthy legislative processes in enacting instruments for implementing the Fund, litigations against implementation of the Fund, non-funding of enacted Appropriation Acts, delays in disbursements, frequent budget revisions, lack of administrative cost allocations for beneficiary counties, and the thinly spreading of the fund

under the second policy as a result of the revision of unit of planning to sub-location. These challenges have, in some cases, slowed down implementation and reduced the effectiveness of interventions in addressing the marginalisation issues.

Nevertheless, the progress attained thus far demonstrates the Fund's strong potential to deliver transformative impact for the marginalized. If the aforementioned challenges are adequately addressed, lessons drawn from the initial phases of project execution can provide valuable insights for strengthening governance structures, enhancing coordination with counties, and streamlining disbursement mechanisms. Building on these lessons, the Fund is better positioned to consolidate gains made under the First Policy while ensuring timely and effective rollout of the Second Policy.

As the Fund advances towards the completion of First Policy projects and accelerates the implementation of the Second Policy, the remaining five years of its lifespan—set to lapse in 2030—necessitate heightened efficiency and effectiveness. Converting challenges into opportunities will be essential to achieving the Fund's constitutional objectives. This report therefore underscores key recommendations: enhanced stakeholder engagement, targeted legislative amendments, strengthened administrative frameworks, and need for adherence to the arrear's payment plan, all of which are critical to sustaining the Fund's impact by promoting equitable development across marginalized areas of the country.

1.0 Introduction

1.1 Background

The Equalisation Fund is established under Article 204(1) of the Constitution of Kenya, 2010, which mandates that 0.5% of all revenue collected by the national government each year, based on the most recent audited accounts as approved by Parliament, be paid into the Fund. The Fund is intended to provide essential services such as water, roads, health facilities, and electricity to marginalized areas, with the goal of elevating service standards in these regions to match those enjoyed in the rest of the country as far as possible.

The identification of marginalized areas is guided by Article 216(4) of the Constitution, which empowers the Commission on Revenue Allocation (CRA) to determine and regularly review a policy on marginalization. In line with this mandate, the first Marginalization Policy was published in 2013, focusing on county-level targeting and identifying 14 beneficiary counties. The second policy, published in 2018, expanded the focus to sub-locations, identifying 1,424 marginalized areas spread across 34 counties, thus broadening the Fund's reach to smaller, underserved units.

Initially, the Fund was administered through the **Guidelines on the Administration of the Equalisation Fund** published through **Gazette Notice No. 1711 of 2015**, allowing for direct implementation by national government Ministries, Departments, and Agencies (MDAs). However, following the 2019 High Court ruling declaring the 2015 Guidelines unconstitutional, the administration framework was revised. As a result, the Public Finance Management (Equalisation Fund Administration) Regulations, 2021, were developed to guide the Fund's utilization as conditional grants to county governments. In line with these regulations, the Equalisation Fund Advisory Board (EFAB) and Secretariat were established to oversee operations and ensure effective and transparent project implementation.

Central to these regulations is the strong emphasis on reporting, as outlined in Regulations 22(g) and 27. Regulation 27 requires the Board to submit quarterly reports to the Cabinet Secretary, National Treasury and Economic Planning, with copies to the CRA and the Controller of Budget. Regulation 22(g) further mandates the Secretariat to prepare and submit updates to the Board and the Cabinet Secretary to ensure transparency and

accountability, while Regulation 8(h) requires the Board to review consolidated reports and make performance improvement recommendations.

In this regard, this annual and the fourth quarterly report for FY 2024/25 provides information on approved projects, disbursement status, implementation progress, and restriction(s) on implementing agencies in the utilization of the Fund. Beyond fulfilling a legal obligation, the report serves as a critical accountability and learning tool — promoting transparency, guiding resource allocation, and supporting evidence-based decision-making. Ultimately, it reflects a shared commitment to reducing regional inequalities and improving the quality of basic services in marginalized areas, in line with the Constitution’s vision for inclusive and equitable development.

This Annual and the Fourth Quarterly Report for FY 2024/25 covers the period from 1st July, 2024 to 30th June, 2025. It consolidates status reports from beneficiary counties and national government MDAs, providing a comprehensive overview of projects approved and funded under the First and Second Marginalization Policies. The report covers both the technical and financial aspects of the Equalisation Fund projects as reported by the implementing agencies.

1.2 Objectives of the Report

1.2.1 General Objective

To provide a comprehensive assessment of the implementation and performance of the Equalisation Fund during the Fiscal Year 2024/25 covering both the First and Second Marginalization Policies, to promote transparency, accountability, and evidence-based decision-making.

1.2.2 Specific Objectives

- i) To present a summary of the projects and programs approved for financing during the FY 2024/25 under both the First and Second Marginalization Policies;
- ii) To analyze the status of disbursements of funds to various projects and the overall implementation progress achieved during the FY 2024/25;

- iii) To report on the status of disbursements from the Fund to respective county governments and national government implementing agencies during the FY 2024/25, highlighting financial flows under both policies; and
- iv) To outline any restrictions imposed on county governments or implementing entities involved in the execution of projects during the FY 2024/25.

2.0 Institutional Framework

Kenya's commitment to equitable development is enshrined in Article 204 of its 2010 Constitution, which creates the **Equalisation Fund**. The Fund is operationalized through the **Public Finance Management (Equalisation Fund Administration) Regulations, 2021**, which establish a robust institutional structure to ensure the Fund is effectively managed and implemented from the national to the community level.

2.1 National Level Oversight

At the national level, the **Public Finance Management (Equalisation Fund Administration) Regulations, 2021** provides for two key bodies to provide strategic direction and administrative support for the Equalisation Fund:

2.1.1 The Equalisation Fund Advisory Board

The Equalisation Fund Advisory Board (EFAB) is established under Regulation 4(1) of the **Public Finance Management (Equalisation Fund Administration) Regulations, 2021**, to provide strategic leadership and oversight. The Board is diverse comprising a Chairperson, Principal Secretaries from the National Treasury and Devolution (or their designated representatives), and representatives from pastoralist communities, the National Assembly, the Senate, the Council of Governors, and various stakeholder groups from beneficiary areas. The Regulations equally establishes the office of The Chief Executive Officer (CEO) who serves as the Board's Secretary and the head of the secretariat. EFAB's mandate is as outlined in Regulation 8, which amongst others include; advise and make recommendations to the Cabinet Secretary on the distribution of resources for the provision of the basic services to the marginalized areas under Article 204 of the Constitution; and appraise and evaluate projects proposed under the workplans submitted by county technical committees to ensure compliance with the Constitution and the recommendations issued by the Commission on Revenue Allocation; among others.

2.1.2 Secretariat

The CEO appointed under Regulation 21(1) leads the Secretariat, which is established under Regulation 22. The Secretariat is the operational backbone of the Equalisation Fund,

providing essential technical and administrative support. Its responsibilities include consolidating county work plans, maintaining a central database of all projects, monitoring implementation progress, preparing comprehensive quarterly reports for the Board consideration, as well as proposing corrective measures to enhance overall performance and efficiency, among others.

2.2 County and Sub-County Coordination

Effective implementation of the Equalisation Fund relies heavily on strong coordination at the county and sub-county levels:

2.2.1 County Technical Committee (CTC)

Constituted under Regulation 14, the CTC ensures that all proposed projects align with local priorities and meet eligibility criteria. This committee is chaired by the County Commissioner, with the County Executive Committee Member for Finance from the beneficiary counties being a member. Other members include CDF managers, representatives from the County Assembly, and relevant county sector heads, fostering a collaborative approach to project selection and oversight.

2.2.2 Sub-County Technical Committee (sCTC)

Established under Regulation 16 and chaired by the Sub-County Commissioner, the sCTC plays a vital role in the localized management of the Fund. Its responsibilities include receiving and evaluating project proposals, assessing their feasibility, monitoring the progress of implementation, and preparing regular quarterly reports to ensure accountability at the sub-county level.

2.2.3 Project Identification and Implementation Committee (PIIC)

Community participation and rigorous financial oversight are fundamental to the success of the Equalisation Fund. At the grassroots level, the **Project Identification and Implementation Committee**, established under Regulation 18 and chaired by the Assistant County Commissioner (ACC), is pivotal for fostering community-level participation. Its diverse membership includes village administrators, representatives of women, youth, minorities, and persons with disabilities (PWDs), as well as CDF committee members and

representatives from local NGOs and faith-based organizations. This committee is instrumental in identifying and prioritizing projects that are responsive to local needs, developing proposals, and overseeing local implementation. The direct involvement of the PIIC in the identification and implementation allows for embedding the principles of accountability, inclusivity, and effectiveness in delivery of services tailored to the unique challenges of marginalized areas.

2.3 Financial Coordination and Oversight

Under Regulation 20, the County Executive Committee Member (CECM) for Finance is responsible for consolidating county-level work plans and submission to the Board. The CECM is also responsible for preparing detailed quarterly and annual financial reports and ensuring adherence to all procurement and financial regulations.

In line with the constitutional provisions and all relevant laws; the **Controller of Budget** plays an indispensable oversight role. Under Articles 204(9) and 228 of the Constitution, the Controller of Budget authorizes all withdrawals from the Equalisation Fund, adding a critical layer of financial accountability and control. This independent authorization process acts as a safeguard, ensuring that funds are disbursed responsibly and per approved plans, thereby bolstering transparency and accountability.

Additionally, pursuant to Article 226(3) the Equalisation Fund is audited by the Office of The Auditor General as is the accounts of all governments and State organs.

Finally, Article 226(2) provides that the accounting officer of a national public entity is accountable to the National Assembly for its financial management, and the accounting officer of a county public entity is accountable to the county assembly for its financial management.

This multi-layered financial oversight, coupled with the integrated framework spanning national to community levels, significantly strengthens transparency, efficiency, and the equitable delivery of essential services to Kenya's marginalized areas.

3.0 Projects and programs approved for financing

Article 216(4) of CoK 2010 provides that the Commission on Revenue Allocation (CRA) shall determine, publish, and regularly review a policy in which it sets out the criteria by which to identify the marginalized areas for purposes of Article 204. As of June 30, 2025, CRA had developed and published two marginalization policies that are under implementation.

3.1 First Marginalization Policy Projects

The First Policy was published in February 2013, setting out the criteria for identifying marginalized areas and sharing of the Equalisation Fund for financial years 2014/15 - 2017/18. The Policy identified fourteen (14) counties as the initial beneficiaries of the Fund, namely: Turkana, Mandera, Wajir, Marsabit, Samburu, West Pokot, Tana River, Narok, Kwale, Garissa, Kilifi, Taita Taveta, Isiolo, and Lamu.

Subsequently, the Equalisation Fund Appropriation Act, 2018 approved Ksh. 12.4 billion for the implementation of 360 projects in the 14 aforementioned counties identified by the First Marginalization Policy. Since the unit of consideration under the 1st policy was the county, 9.4 million Kenyans living in the marginalized counties would potentially benefit from the 360 projects. The highest allocation went to Turkana County at Ksh. 1.05 billion for the implementation of 14 projects, while the least allocation was Ksh. 722.2 million to Lamu county for the implementation of 29 projects. A summary of allocation by county and number of projects is shown in table 1

Table 1: Allocation and Projects Approved by County, EF Appropriation Act 2018

Development Votes by County	Appropriated Amount	No of projects
Garissa	783,500,000.00	9
Isiolo	746,900,000.00	17
Kilifi	763,500,000.00	58
Kwale	795,300,000.00	29
Lamu	722,199,600.00	38
Mandera	967,600,000.00	12
Marsabit	886,200,000.00	27
Narok	809,500,000.00	29
Samburu	865,917,863.00	14
Taita Taveta	751,200,000.00	38
Tana River	859,000,000.00	26

Development Votes by County	Appropriated Amount	No of projects
Turkana	1,050,200,000.00	14
Wajir	929,800,000.00	27
West Pokot	870,382,138.00	22
Total	11,801,199,601	360

Source: Equalization Fund Advisory Board (EFAB)

3.2 Second Marginalization Policy Projects

The Second Policy on Marginalization was developed and published in 2018. The area of analysis changed from the county to sub-location. At the time the policy was being developed, there were 7,131 sub-locations in the 47 counties. The Policy identified 1,424 marginalized areas as planning units spread in 366 wards, 111 constituencies, and 34 counties, namely: *Baringo, Bomet, Bungoma, Busia, Elgeyo Marakwet, Garissa, Isiolo, Homa Bay, Kajiado, Kericho, Kilifi, Kisumu, Kitui, Kwale, Laikipia, Lamu, Machakos, Mander a, Marsabit, Meru, Migori, Murang'a, Nandi, Nakuru, Narok, Samburu, Siaya, Taita Taveta, Tana River, Tharaka-Nithi, Turkana, Trans Nzoia, Wajir, and West Pokot.* This is detailed in table 2.

Table 2: Areas categorized as marginalized in the second Marginalization policy by county

S/ N o.	County	Constituencies	Wards	Sub-locations	S/ N o.	County	Constituencies	Wards	Sub-locations	
1	Baringo	4	15	90	18	Bomet		1	3	3
	Garissa	6	27	83	19	Bungoma		1	4	9
3	Homa-Bay	4	10	20	20	Busia		2	3	3
	Isiolo	2	8	25	21	E/Marakwet		3	6	11
5	Kajiado	3	13	64	22	Kericho		3	4	10
	Kilifi	6	19	78	23	Kisumu		2	4	4
7	Kitui	5	17	63	24	Laikipia		2	5	18
	Kwale	4	15	39	25	Lamu		2	7	10
9	Mander a	6	31	97	26	Machakos		1	2	2
	Marsabit	4	18	68	27	Meru		3	4	5
11	Migori	4	10	27	28	Murang'a		1	1	1
	Narok	6	26	112	29	Nakuru		1	1	1
13	Samburu	3	15	95	30	Nandi		2	4	19

S/No.	County	Constituencies	Wards	Sub-locations	S/No.	County	Constituencies	Wards	Sub-locations
	Tana River	3	14	65	31	Siaya	3	5	5
	Turkana	6	28	144	32	Taita Taveta	2	2	2
	Wajir	6	30	94	33	Tharaka-Nithi	2	4	7
	West Pokot	4	19	149	34	Trans Nzoia	1	1	1
	TOTAL						111	366	1424

Source: Second Policy and Criteria for Sharing Revenue Among Marginalized Areas

Regulation 20 of PFM (Equalisation Fund Administration) Regulations, 2021 mandates the County Executive Committee Member responsible for Finance to, amongst other functions, consolidate all projects approved by the county technical committee and submit to the Secretary of the Board for funding, with a copy to the Commission on Revenue allocation. Further, Regulation 23 mandates the Board with the final approval of the work plans submitted by the CECMs responsible for Finance. Under these provisions, in the FY 2024/25, as of June 30, 2025, the Board received a total of **1,594** project proposals for consideration from the 34 beneficiary counties. The Board has been considering the proposals on a rolling basis and as of June 30, 2025, had approved **1,556** projects for implementation at an approximate budget of **Ksh. 9.76 billion**. The approved projects and their estimated cost are summarized in table 3

Table 3: Approved projects and Projects Budgets by county as of June 30, 2025

S/No.	County	Marginalized Areas	Appropriated Amount	Approved Projects	Projects Budget
1	Baringo	90	595,027,099	137	568,246,610
2	Bomet	3	19,215,175	3	19,215,174
3	Bungoma	9	58,779,836	7	58,779,835
4	Busia	3	17,979,656	3	17,979,656
5	E/Marakwet	11	65,114,751	16	56,644,349
6	Garissa	83	630,912,260	91	628,784,868
7	Homa-Bay	20	131,603,304	31	131,603,302
8	Isiolo	25	166,157,751	25	166,157,748
9	Kajiado	64	414,765,595	29	414,765,596
10	Kericho	10	60,882,122	11	54,681,482
11	Kilifi	78	539,901,714	67	537,169,000
12	Kisumu	4	24,333,610	4	23,603,602
13	Kitui	63	397,477,349	105	366,047,999

S/No.	County	Marginalized Areas	Appropriated Amount	Approved Projects	Projects Budget
14	Kwale	39	292,590,513	61	290,451,457
15	Laikipia	18	119,303,227	33	115,677,719
16	Lamu	10	57,614,460	10	57,614,460
17	Machakos	2	12,923,347	2	12,923,347
18	Mandera	97	753,408,998	89	753,403,998
19	Marsabit	68	469,644,478	103	468,336,157
20	Meru	5	29,927,013	6	29,004,018
21	Migori	27	177,764,414	41	177,764,414
22	Murang'a	1	5,679,579	1	5,679,579
23	Nakuru	1	6,435,119	1	6,435,119
24	Nandi	19	116,745,012	30	116,745,012
25	Narok	112	771,670,228	148	715,984,924
26	Samburu	95	649,686,536	39	636,090,960
27	Siaya	5	31,973,185	7	31,973,185
28	Taita Taveta	2	13,335,187	3	13,332,929
29	Tana River	65	442,122,368	61	413,261,671
30	Tharaka-Nithi	7	44,005,716	14	42,915,203
31	Trans Nzoia	1	7,478,246	1	7,478,246
32	Turkana	144	1,144,091,494	87	1,071,965,691
33	Wajir	94	730,167,615	220	727,325,516
34	West Pokot	149	1,021,690,952	70	1,021,690,952
	TOTAL	1,424	10,020,407,909	1556	9,759,733,778

Source: Equalization Fund Advisory Board (EFAB)

4.0 Status of Disbursements of Funds

The Fund continued with implementation of projects under the first and second policies during the FY 2024/25. In the Financial Year, the Fund transferred **Ksh. 311.35 million** and **Ksh. 2.85 billion** under the first and second marginalization policies respectively. The transfers by quarter are shown in **tables 7 and 8**

4.1 Payment into the Equalisation Fund

In the first three (3) Financial Years after its establishment, i.e., FY 2011/12, FY 2012/13, and FY 2013/14, the Equalisation Fund had no allocation since there was no framework to apply the Fund.

The first allocation of **Ksh. 3.4 billion** was made to the Fund in FY 2014/15 as provided for under Article 204(1) of the CoK, 2010. Since the first allocation of FY 2014/15 up to the time of reporting, i.e., June 30, 2025, the total entitlement to the Fund according to the Division of Revenue Acts (DoRAs) for respective FYs between 2014/15 to 2025/26 is **Ksh. 80,092,840,794**

As of June 30, 2025, the National Treasury had paid a total of **Ksh. 15.93 billion** into the Fund, leaving an outstanding balance of **Ksh. 64.16 billion**. In the FY 2024/25, **Ksh. 2.5 billion** has been paid into the Fund for implementation of projects funded by EF Appropriations Act 2023 under the second policy.

Table 4 summarizes entitlements, payments into the Fund, and the arrears as of June 30, 2025.

Table 4: Entitlement, Payment, and Arrears to Equalisation Fund

S/N.	Financial Year	Base Year for Most recent audited revenues approved by the National Assembly	Audited and approved revenues by National Assembly (Ksh.)	EF Entitlement (0.5% of Audited Revenue)	Amount Reflected in the DORA (Ksh.)	Payment into EF	Arrears
	(a)	(b)	(c)	(d)=0.005*(c)	(e)	(f)	(g)=(e)-(f)
1	2011/12	2008/2009	468,151,970,000	2,340,759,850	0	0	0
2	2012/13	2009/2010	529,300,000,000	2,646,500,000	0	0	0
3	2013/14	2009/2010	529,300,000,000	2,646,500,000	0	0	0
4	2014/15	2009/2010	529,300,000,000	2,646,500,000	3,400,000,000	400,000,000	3,000,000,000
5	2015/16	2012/2013	776,900,000,000	3,884,500,000	6,000,000,000	6,000,000,000	0
6	2016/17	2013/2014	935,653,000,000	4,678,265,000	6,000,000,000	6,000,000,000	0
7	2017/18	2013/2014	935,653,000,000	4,678,265,000	7,727,000,000		7,727,000,000
8	2018/19	2013/2014	935,653,000,000	4,678,265,000	4,700,000,000		4,700,000,000
9	2019/20	2014/2015	1,038,035,000,000	5,190,175,000	5,760,000,000		5,760,000,000
10	2020/21	2016/2017	1,357,698,000,000	6,788,490,000	6,788,490,000		6,788,490,000
11	2021/22	2016/2017	1,357,698,000,000	6,788,490,000	6,825,317,433		6,825,317,433
12	2022/23	2017/2018	1,413,694,840,000	7,068,474,200	7,068,474,211		7,068,474,211
13	2023/24	2019/2020	1,673,715,000,000	8,368,575,000	8,368,574,000	1,030,000,000	7,338,574,000
14	2024/25	2020/2021	1,570,562,814,725	7,852,814,074	7,852,814,725	2,500,000,000	5,352,814,725
15	2025/26	2021/2022	1,920,434,085,078	9,602,170,425	9,602,170,425		9,602,170,425
	TOTAL		15,621,877,439,450	79,858,743,549	80,092,840,794	15,930,000,000	64,162,840,794

Source: Division of Revue Acts 2014/15 – 2025/26

The National Treasury drew up a payment plan for the arrears in year 2023, committing to making additional payments of Ksh. 9.98 billion annually in addition to the 0.5 percent of the National Audited revenue approved by the National Assembly. As of June 30, 2025, the National Treasury has not been able to fully honor the payment plan citing a tight fiscal space. The payment plan is shown in table 5

Table 5: Proposed Payment plan of Equalisation Fund Arrears in Ksh.

Financial Year (A)	Budget Estimates (B)	Equalisation Fund Arrears (C)
2023/24	8,368,574,000	-
2024/25	8,368,574,000	9,976,766,000
2025/26	9,590,000,000	9,976,766,000
2026/27	10,960,000,000	9,976,766,000
2027/28	14,393,000,000	9,976,766,000
Grand Total	51,680,148,000	39,907,064,000

Source: The National Treasury

4.2 Transfers from the Equalisation Fund

Parliament appropriated Ksh. 12.4 billion through the Equalisation Fund Appropriation Act of 2018 for the implementation of 360 projects in 14 counties identified as marginalized in the First Policy. As of June 30, 2025 the Equalisation Fund has transferred a total of Ksh. 10,730,467,153.69 to national government's Ministries, Departments, and Agencies (MDAs) for implementation of the projects. The disbursement to MDAs is summarized by county in Table 6 and quarterly disbursement in FY 2024/25 is shown in Table 7.

Table 6: Transfers to MDAs by County as of June 30, 2025

County	Allocation EF Appr. Act 2018	Transfers to MDAs	Outstanding Balances
Garissa	783,500,000.00	774,289,296.16	9,210,703.84
Kwale	795,300,000.00	719,824,837.78	75,475,162.22
Lamu	722,199,600.00	658,473,383.47	63,726,216.53
Kilifi	763,500,000.00	678,387,803.44	85,112,196.56
Isiolo	746,900,000.00	689,070,137.50	57,829,862.50
Mandera	967,600,000.00	967,266,621.60	333,378.40
Marsabit	886,200,000.00	844,847,881.55	41,352,118.45
Narok	809,500,000.00	667,057,418.00	142,442,582.00
Samburu	865,917,863.00	744,489,069.42	121,428,793.58
Taita Taveta	751,700,000.00	715,074,403.43	36,625,596.57

County	Allocation EF Appr. Act 2018	Transfers to MDAs	Outstanding Balances
Tana River	859,000,000.00	840,670,032.51	18,329,967.49
Turkana	1,050,200,000.00	804,062,080.84	246,137,919.16
Wajir	929,800,000.00	851,715,888.99	78,084,111.01
West Pokot	869,882,138.00	775,238,299.00	94,643,839.00
Totals	11,801,199,601.00	10,730,467,153.69	1,070,732,447.31

Source: Equalization Fund Advisory Board (EFAB)

In the financial year 2024/25 under review, EF transferred Ksh. 311,353,325.34 to MDAs. The quarterly and annua transfers for the year to MDAs are shown in Table 7

Under the Second Policy, Parliament appropriated Ksh. 10,020,407,910 through the Equalisation Fund Appropriation Act,2023 for the implementation of projects in 34 counties with areas identified as marginalised under the second policy. Pursuant to Regulation 24 of the PFM (Equalization Fund Administration) Regulations, 2021, the funds are utilized as **conditional grants** to the beneficiary counties in accordance with the Division of Revenue Act and the EF Appropriation Act of 2023. As of June 30, 2025 the Equalisation Fund has transferred a total of Ksh. 2,850,925,027.99 to county governments of 15 beneficiary counties to implement the approved projects of which Ksh. 1,110,804,364 to 12 counties was transferred in the FY2024/25. The disbursement for the FY 2024/25 summarized by county in Table 8 showing quarterly disbursements.

Table 7: Quarterly Disbursements under the 1st Policy by county in FY 2024/25

County	Appropriated Amount	Disbursement Q1 2024/25	Disbursement Q2 2024/25	Disbursement Q3 2024/25	Disbursement Q4 2024/25	Total Disbursements in FY 2024/25	Total Disbursed Since Inception
Garissa	783,500,000.00	-	6,223,358.00	-	-	6,223,358.00	774,289,296.16
Kwale	795,300,000.00	16,185,551.20	16,742,837.18	-	-	32,928,388.38	719,824,837.78
Lamu	722,199,600.00	-	-	1,747,218.68	-	1,747,218.68	658,473,383.47
Kilifi	763,500,000.00	20,174,970.00	-	-	-	20,174,970.00	678,387,803.44
Isiolo	746,900,000.00	-	-	-	-	-	689,070,137.50
Mandera	967,600,000.00	-	-	-	9,432,051.00	9,432,051.00	967,266,621.60
Marsabit	886,200,000.00	-	9,282,788.00	4,884,811.00	-	14,167,599.00	844,847,881.55
Narok	809,500,000.00	-	0	4,877,208.00	-	4,877,208.00	667,057,418.00
Samburu	865,917,863.00	-	11,280,180.32	-	-	11,280,180.32	744,489,069.42
Taita Taveta	751,200,000.00	-	0	-	1,434,138.00	1,434,138.00	715,074,403.43
Tana River	859,000,000.00	-	57,920,164.96	-	-	57,920,164.96	840,670,032.51
Turkana	1,050,200,000.00	-	102,451,529.00	13,430,040.00	4,702,490.00	120,584,059.00	804,062,080.84
Wajir	929,800,000.00	-	26,912,636.00	-	-	26,912,636.00	851,715,888.99
West Pokot	870,382,138.00	-	0	3,671,354.00	-	3,671,354.00	775,238,299.00
Total	11,801,199,601	36,360,521.20	230,813,493.46	28,610,631.68	15,568,679.00	311,353,325.34	10,730,467,153.69

Source of Data: Equalization Fund Advisory Board (EFAB)

Table 8: Quarterly Disbursements under 2nd Policy by county in FY 2024/25

S/N	County	Approved Budget	Disbursed in Q1 2024/25	Disbursed in Q2 2024/25	Disbursed in Q3 2024/25	Disbursed in Q4 2024/25	Total Disbursement	Absorption Rate	Outstanding Balance
1	Baringo	595,027,100	-		31,467,636.54	31,450,355.22	62,917,991.76	11%	532,109,108.24
2	Bomet	19,215,175	-				-	0%	19,215,175.00
3	Bungoma	58,779,836	-				-	0%	58,779,836.00
4	Busia	17,979,656	-				-	0%	17,979,656.00
5	Elgeyo Marakwet	65,114,751	-				-	0%	65,114,751.00
6	Garissa	630,912,260	-				-	0%	630,912,260.00
7	Homa Bay	131,603,304	-		42,632,536.70	80,936,687.95	123,569,224.65	94%	8,034,079.35
8	Isiolo	166,157,751	-	89,991,631.70			89,991,631.70	54%	76,166,119.30
9	Kajiado	414,765,595	-			72,785,804.80	72,785,804.80	18%	341,979,790.20
10	Kericho	60,882,122	-				-	0%	60,882,122.00
11	Kilifi	539,901,714	-	82,949,070		113,142,075	196,091,145.00	36%	343,810,569.00
12	Kisumu	24,333,610	-			22,774,183.75	22,774,183.75	94%	1,559,426.25
13	Kitui	397,477,349	-				-	0%	397,477,349.00
14	Kwale	292,590,513	-				-	0%	292,590,513.00
15	Laikipia	119,303,227	-		14,443,300	16,193,437	30,636,737.00	26%	88,666,490.00
16	Lamu	57,614,460	-				-	0%	57,614,460.00
17	Machakos	12,923,347	-				-	0%	12,923,347.00
18	Mandera	753,408,998	-		419,237,476	274,219,688	693,457,164.00	92%	59,951,834.00
19	Marsabit	469,644,478	-	28,428,154	59,410,245	124,468,917	212,307,315.90	45%	257,337,162.10
20	Meru	29,927,013	-				-	0%	29,927,013.00
21	Migori	177,764,414	-				-	0%	177,764,414.00
22	Murang'a	5,679,579	-				-	0%	5,679,579.00
23	Nakuru	6,435,119	-	3,046,902.40			3,046,902.40	47%	3,388,216.60
24	Nandi	116,745,012	-	23,498,244.00	44,921,118.60	35,993,673.98	104,413,036.58	89%	12,331,975.42

S/N	County	Approved Budget	Disbursed in Q1 2024/25	Disbursed in Q2 2024/25	Disbursed in Q3 2024/25	Disbursed in Q4 2024/25	Total Disbursement	Absorption Rate	Outstanding Balance
25	Narok	771,670,228	-				-	0%	771,670,228.00
26	Samburu	649,686,536	-	134,059,692	81,869,931	55,019,182	270,948,805.00	42%	378,737,731.00
27	Siaya	31,973,185	-				-	0%	31,973,185.00
28	Taita Taveta	13,335,187	-				-	0%	13,335,187.00
29	Tana River	442,122,368	-	54,307,350	89,024,099		143,331,449.00	32%	298,790,919.00
30	Tharaka Nithi	44,005,716	-				-	0%	44,005,716.00
31	Trans Nzoia	7,478,246	-				-	0%	7,478,246.00
32	Turkana	1,144,091,494	-		130,963,013.30	107,128,882	238,091,895.30	21%	905,999,598.70
33	Wajir	730,167,615	-				-	0%	730,167,615.00
34	West Pokot	1,021,690,952	-	409,870,264		176,691,477	586,561,741.15	57%	435,129,210.85
	Total	10,020,407,910	-	826,151,308	913,969,356	1,110,804,364	2,850,925,027.99	28%	7,169,482,882.01

Source of Data: Equalization Fund Advisory Board (EFAB)

5.0 Equalisation Fund Implementation Status

5.1 Approved Projects for funding by Equalization Fund

5.1.1 Projects Approved Under the First Marginalization Policy

The first Equalisation Fund Appropriation Act enacted in April 2017, appropriated a total of Ksh. 12.4 billion being allocation for FYs 2014/15, 2015/16 and 2016/17 for implementation of the projects in counties identified as marginalized in First Marginalization Policy. Out of the total appropriated amount, Ksh. 11,801,199,601 (95%) was earmarked for implementation of 360 projects in the 14 beneficiary counties, while Ksh. 598,800,000 (5%), was appropriated for administrative expenses for the financial year that ended on 30th June, 2017 and consequently for expenses until all projects are completed.

The Equalisation Fund Appropriation Act, 2017 did not provide for non-lapsing of the act as envisaged in Article 204 (5) of the CoK 2010. This resulted in the lapsing of the appropriation on 30th June, 2017 hence re-appropriation in the Equalisation Fund Appropriation Act, 2018 to facilitate the completion of the ongoing projects.

The Equalisation Fund Appropriation Act, 2018, appropriated Ksh. 11,977,764,688 with Ksh. 11,549,601,758 for development and Ksh. 428,162,930 for administrative expenses.

In line with the provisions of the nullified Guidelines on the Administration of the Equalisation Fund, 2015, the projects appropriated under the Equalisation Fund Appropriation Act, 2018, were *directly* implemented by the national government through the MDAs as shown in table 9:

Table 9: EF Appropriation Act 2018 by Sector

MDA	Appropriated Amount	No of Projects
Education	217,000,000.00	14
Energy	287,600,000.00	20
Health	1,964,218,726.00	84
Roads	3,638,595,723.00	84
Irrigation	5,693,785,152.00	30
Water		128
Admin Cost	598,800,000	
Total	12,399,999,601	360

Source: Equalization Fund Appropriation Act, 2018

5.1.2 Projects Approved Under the Second Marginalization Policy

Article 204 (3) (b) of the Constitution of Kenya 2010 provides that the national government may use the Equalisation Fund either directly, or indirectly through conditional grants to counties in which marginalized communities exist. Further, Regulation 24 (1) of the PFM (Equalisation Fund Administration) Regulations, 2021 provides that the funds shall be utilized as conditional grants to the affected counties in accordance with the Division of Revenue Act and the Equalization Fund Appropriation Acts for the respective financial years. Consequently, the Ksh. 10.3 billion appropriated in EF Appropriation Act, 2023 is being expended as conditional grants to the beneficiary counties.

The County Executive Committee Member responsible for finance is mandated by Regulation 23 to submit work plans for EF projects to the Board for approval. In the period the fiscal year 2024/25, the Board received proposals from all the thirty-four (34) beneficiary counties for review and consideration. As of June 30, 2025, the Board had cumulatively received proposals for 1,594 projects from the thirty-four (34) counties. Table 10 presents the proposals by county and sector

Table 10: Project Proposals by County and Sector

S/No	County	Education	Energy	Health	Roads	Water	Other	Total
1.	Baringo	53	6	17	16	51	0	143
2.	Bomet	0	0	1	1	1	0	3
3.	Bungoma	0	0	1	3	3	0	7
4.	Busia	0	2	0	1	0	0	3
5.	Elgeyo Marakwet	1	2	3	4	7	1	18
6.	Garissa	4	18	32	21	17	0	92
7.	Homa Bay	3	0	5	17	6	0	31
8.	Isiolo	0	0	4	14	7	0	25
9.	Kajiado	2	1	7	6	13	0	29
10.	Kericho	0	2	0	5	5	0	12
11.	Kilifi	0	0	28	18	21	0	67
12.	Kisumu	0	0	1	2	1	0	4
13.	Kitui	21	8	29	18	39	0	115
14.	Kwale	14	12	0	16	20	0	62
15.	Laikipia	10	0	2	1	20	0	33
16.	Lamu	0	1	3	1	5	0	10
17.	Machakos	0	0	1	0	1	0	2
18.	Mandera	0	11	29	19	30	0	89
19.	Marsabit	25	12	21	16	29	0	103
20.	Meru	1	1	0	2	2	0	6

S/No	County	Education	Energy	Health	Roads	Water	Other	Total
21.	Migori	0	10	12	7	13	0	42
22	Murang'a	0	0	0	0	1	0	1
23	Nakuru	0	0	0	0	1	0	1
24	Nandi	0	0	4	18	8	0	30
25	Narok	96	4	8	25	23	1	157
26	Samburu	0	3	3	25	9	0	40
27	Siaya	0	1	1	0	5	0	7
28	Taita Taveta	0	0	0	0	3	0	3
29	Tana River	0	15	13	13	24	0	65
30	Tharaka Nithi	0	3	4	3	4	0	14
31.	Trans Nzoia	0	0	1	0	0	0	1
32	Turkana	5	4	28	6	46	0	89
33	Wajir	52	7	58	53	50	0	220
34	West Pokot	1	1	14	31	23	0	70
	Total	288	125	330	362	488	2	1594

Source: Equalization Fund Advisory Board (EFAB)

The Board has been considering and making resolutions on the county proposals on a rolling basis. As of June 30, 2025, the Board had considered the 1,594 proposals and approved for implementation a total of 1,556 projects in the 34 Counties. 1286 projects have been fully approved while 270 projects have been approved with conditions to be met by the counties before commencing implementation. Table 11 shows the approved projects by county and sector.

Table 11: Analysis by county and priority sector for approved projects

S/N	County	Health	Education	Energy	Roads	Water	Other	Total
1.	Baringo	14	52	6	15	50	0	137
2.	Bomet	1	0	0	1	1	0	3
3.	Bungoma	1	0	0	3	3	0	7
4.	Busia	0	0	2	1	0	0	3
5.	Elgeyo Marakwet	3	1	2	4	6	0	16
6.	Garissa	32	4	17	21	17	0	91
7.	Homa Bay	5	3	0	16	7	0	31
8.	Isiolo	4	0	0	14	7	0	25
9.	Kajiado	7	1	1	6	13	0	28
10.	Kericho	0	0	2	4	5	0	11
11.	Kilifi	28	0	0	17	22	0	67
12.	Kisumu	1	0	0	2	1	0	4
13.	Kitui	29	18	8	15	35	0	105
14.	Kwale	0	14	12	16	19	0	61
15.	Laikipia	2	10	0	1	20	0	33
16.	Lamu	3	0	1	1	5	0	10
17.	Machakos	1	0	0	0	1	0	2

S/N	County	Health	Education	Energy	Roads	Water	Other	Total
18.	Mandera	29	0	11	19	30	0	89
19.	Marsabit	21	25	12	16	29	0	103
20.	Meru	0	1	1	3	1	0	6
21.	Migori	12	0	10	7	12	0	41
22.	Murang'a	0	0	0	0	1	0	1
23.	Nakuru	0	0	0	0	1	0	1
24.	Nandi	4	0	0	18	8	0	30
25.	Narok	7	92	4	23	22	0	148
26.	Samburu	4	0	3	25	8	0	40
27.	Siaya	1	0	1	0	5	0	7
28.	Taita Taveta	0	0	0	0	3	0	3
29.	Tana River	12	0	14	13	22	0	61
30.	Tharaka Nithi	4	0	3	3	4	0	14
31.	Trans Nzoia	1	0	0	0	0	0	1
32.	Turkana	28	5	4	6	46	0	87
33.	Wajir	58	52	7	53	50	0	220
34.	West Pokot	14	1	1	31	23	0	70
	Total	325	277	121	357	476	0	1,556

Source: Equalization Fund Advisory Board (EFAB)

5.2 Implementation Status of Equalization Fund Projects

5.2.1 Status of Projects under first policy

Under the First Marginalization Policy and Equalisation Fund Appropriation Act, 2018, a total of 360 projects were implemented directly by the national government Ministries, Departments and Agencies. The implementing MDAs have sought and have been granted concurrence by EFAB to implement additional projects/ components of projects by utilizing the savings realized from the initial 360 projects. As a result, a total of 480 projects have been implemented by MDAs as of June 30, 2025. Reports from the implementing MDAs indicate 82 percent (395) of the projects are practically complete as of June 30, 2025. The remaining projects are at different stages of implementation as shown in table 12.

Table 12: Status of projects under the First Policy

County	<50%	50%-74%	75%-89%	90%-100%	Totals
Garissa	0	1	0	10	11
Isiolo	1	3	0	17	21
Kilifi	7	0	2	57	66
Kwale	4	0	2	41	47
Lamu	7	3	3	28	41

County	<50%	50%-74%	75%-89%	90%-100%	Totals
Mandera	0	0	0	16	16
Marsabit	0	0	2	31	33
Narok	8	6	1	25	40
Samburu	1	0	0	16	17
Taita Taveta	1	2	0	55	58
Tana River	2	2	0	28	32
Turkana	6	2	1	20	29
Wajir	0	2	2	28	32
W/Pokot	9	2	3	23	37
Sub Total	46	23	16	395	480
Percentage	9.58%	4.79%	3.33%	82.29%	

Source: Reports by MDAs compiled by EFAB

5.2.2 Status of Projects under the Second Policy

As at June 30, 2025 a total of 1556 projects had been approved for implementation in 34 counties. Reports from the beneficiary county governments indicate that 22 percent (345) of the approved projects are practically complete as of June 30, 2025. The remaining projects are at different stages of implementation. Table 13 shows implementation status of 1557 projects as a result of one project in Samburu County that is implemented in 2 components and reported separately for each component

Table 13: Status of projects under the 2nd policy by county

S No.	County	<50%	50%-74%	75%-89%	90%-100%	Totals
1	Baringo	121	3	1	12	137
2	Bomet	3	0	0	-	3
3	Bungoma	7	0	0	-	7
4	Busia	3	0	0	-	3
5	Elgeyo Marakwet	16	0	0	-	16
6	Garissa	91	0	0	-	91
7	Homa Bay	1	0	0	30	31
8	Isiolo	11	0	0	14	25
9	Kajiado	10	7	4	8	29
10	Kericho	11	0	0	-	11
11	Kilifi	39	1	1	26	67
12	Kisumu	0	0	0	4	4
13	Kitui	105	0	0	-	105
14	Kwale	61	0	0	-	61

S No.	County	<50%	50%-74%	75%-89%	90%-100%	Totals
15	Laikipia	17	6	0	10	33
16	Lamu	10	0	0	-	10
17	Machakos	2	0	0	-	2
18	Mandera	2	0	0	87	89
19	Marsabit	45	0	0	58	103
20	Meru	6	0	0	-	6
21	Migori	41	0	0	-	41
22	Murang'a	1	0	0	-	1
23	Nakuru	0	1	0	-	1
24	Nandi	2	0	0	28	30
25	Narok	148	0	0	-	148
26	Samburu	16	4	1	19	40
27	Siaya	7	0	0	-	7
28	Taita Taveta	3	0	0	-	3
29	Tana River	37	0	0	24	61
30	Tharaka Nithi	14	0	0	-	14
31	Trans Nzoia	1	0	0	-	1
32	Turkana	63	15	3	6	87
33	Wajir	220	0	0	-	220
34	West Pokot	24	14	13	19	70
	Sub Total	1138	51	23	345	1557

Source: Reports by county governments and compiled by EFAB

Under the second policy, projects are being implemented indirectly by County governments. Analysis in table 11 reveals that as of June 30, 2025, sixteen (16) counties have commenced implementation of projects. The following is noted

- i. Three hundred and forty-five (22%) of the approved projects are reported to be practically complete and ready for use by the residents of the marginalized areas.
- ii. Twenty-three (1%) of the approved projects are between 75-89 percent of implementation thereby are nearing completion;
- iii. Fifty-one (3%) of the approved projects are between 50 – 74 percent of implementation; while

- iv. One thousand one hundred and thirty-eight (**73%**) of the approved projects are at less than 50 percent of implementation.

6.0 Restrictions imposed on a County Government or any implementing Agency

Article 204 (2) of the CoK 2010 imposes restrictions on application of the Equalisation Fund. Additional restrictions are provided in the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. These restrictions are as follows:

- i. Equalisation Fund should be used to provide basic services including water, roads, health facilities and electricity to marginalized areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible (As per the Constitution of Kenya).
- ii. The Fund should be utilized on projects in marginalized areas as defined by the policy for identifying areas and sharing of the Equalisation Fund developed by the CRA.
- iii. The County Governments of the eligible counties must open county special purpose bank accounts at the Central Bank of Kenya.
- iv. County Commissioners of eligible counties must establish committees at the County, Sub-County and Ward level as provided by Regulation 14, 16 and 18 of the PFM (Equalisation Fund Administration) Regulations, 2021.
- v. Ministries, Departments and Agencies must seek concurrence and confirmation from the Equalisation Fund Advisory Board (EFAB) through the CEO before making additional financial commitments towards projects approved under the first Marginalization policy.
- vi. Integrated Financial Management System (IFMIS) will be utilized in project implementation

7.0 Achievements, Challenges and Recommendations

7.1 Achievements

During the financial year 2024/25, the Fund can report the following achievements:

- i. Maintained the projects data base and continually updated the data base as additional information and implementation status of projects is submitted from the county governments and MDAs.
- ii. Rolled out the guidelines for exchequer/ disbursement requisitions for the beneficiary county governments.
- iii. Disbursement of Ksh. 311.35 million and Ksh. 2.85 billion for the 1st and 2nd marginalization policies respectively in FY 2024/25 to enhance access to public services by the communities residing in marginalised areas.

7.2 Challenges

- i. The lengthy legislation process in enacting the Equalisation Fund Appropriations Act.
- ii. Non-funding of the enacted Equalisation Fund Appropriation Acts.
- iii. Spreading of the funds too thinly to implement projects that may have little or no impact in addressing the marginalization issues identified by the marginalization policies developed by CRA.
- iv. Equalisation Fund Arrears and piling of pending bills as a result of non-funding of already enacted Appropriations.
- v. Delays in transfers to the Fund against appropriated amounts in the National Appropriations leading to delayed implementation of projects.
- vi. Frequent revision of allocation to the Fund during supplementary appropriations that result in delayed implementation of projects, pending bills to implementing entities and accumulation of Equalization Fund arrears.

7.3 Recommendations

In order to cure the challenges, the EF recommends the following:

- I. The Basis of Equalization Fund Appropriation Bills be the Division of Revenue Acts

and not the National Appropriation Acts.

- II. Being a constitutional Fund, EF should be made a separate voted entity outside the National Treasury and enable timely transfers on the basis of the National Appropriation Acts of respective FYs.
- III. The EF Appropriation Bill be submitted at the same time with the National Appropriation Bill for consideration by parliament upon enactment of DORA.
- IV. Since the Equalisation Fund is not a discretionary allocation but a constitutional one, the EF allocations be excluded from revision during the supplementary budgets which negatively affects the financing of the already Equalization Fund Appropriated Acts and results in accumulation of pending bills and EF arrears.



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