



REPUBLIC OF KENYA



REPUBLIC OF KENYA

EQUALISATION FUND ADVISORY BOARD

THIRD (3RD) QUARTER REPORT FOR FISCAL YEAR
2025/26 ON IMPLEMENTATION OF THE
EQUALIZATION FUND

APRIL, 2026

PAPERS LAID	
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TABLED BY	Sen. Wakili on behalf of M.L
COMMITTEE	—
CLERK AT THE TABLE	Polycarp Matara

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
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

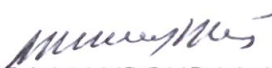
FOREWORD

Article 204 of the Constitution envisions a Kenya that offers access to quality basic services such as water, roads, health facilities and electricity in all parts of the country by 2030. The Equalization Fund is a constitutional bridge for the basic services to marginalised areas meant to ensure that the quality of these services is brought to the level generally enjoyed by the rest of the nation, so far as possible.

As the chairman of the Advisory Board that has been mandated to steer the implementation of the Fund, I am glad to be part of the achievements that we share in this quarterly report. Despite the fact that the strides have been slower than desired, the results are impactful to the communities that live in all parts that have been identified as marginalised in both the First and Second Marginalisation Policies. The Advisory Board expresses its commitment to continue working with all stakeholders to fulfill the objective of Article 204. This report forms part of this commitment to share information and engage all the stakeholders to craft policies and strategies that will expedite the realization of the objectives envisaged under Article 204.

Some of the milestones that we share in this report include: the Fund so far approved 1599 projects worth over Ksh. 9.89 billion for implementation in the 34 beneficiary counties under the Second Policy. These projects span across water, roads, health, energy and education sectors; potentially improving the quality of services in these sectors to approximately six (6) million Kenyans that live in the identified marginalised areas under the second marginalisation policy. Implementation of projects under the First marginalisation Policy is almost complete, where Ksh. 11.81 billion was approved to implement 360 projects in 14 counties identified as marginalised under the policy.

Finally, I assure all our esteemed stakeholders that the challenges we share in this report are not viewed as bottlenecks but rather as opportunities for further engagement to improve the implementation of the Fund and ultimately the quality of basic services to populations living in marginalised areas.


AMB. (ENG.) MAHBOUB M. MAALIM, CBS, OGW,
Board Chairperson

PREFACE

The Equalization Fund is sharing the third quarter report of the FY 2025/26 on the implementation of the Fund not only as a tool to inform key stakeholders on the progress made so far but also to fulfill the requirements of the Public Finance (Equalization Fund Administration) Regulations, 2021. Regulation 27 requires the Board to, on a quarterly basis, submit a report to the Cabinet Secretary with a copy to the Commission on Revenue Allocation and Controller of Budget. This report is also shared with the Parliament of Kenya pursuant to Regulation 20 that requires the County Executive Committee Members responsible for Finance, to on an annual basis, prepare a report on implementation of all projects financed by the Fund with a copy to the Secretary, Commission on Revenue Allocation, Controller of Budget and Parliament.

This report has been made possible by the implementing entities through submission of implementation status which have facilitated preparation of this report. We are grateful to the beneficiary counties through the County Executive committee members that oversee implementation of the Equalization Funded projects under the second policy and have submitted quarterly progress reports to enable compilation of this quarterly report. We are equally thankful to the National Government Ministries, Departments and Agencies that are implementing the First Policy projects and submit reports on the progress.

To the critical stakeholders that we are sharing the report with, we request that where we have shared challenges, it is an opportunity to strengthen the engagement mechanisms for betterment of implementing the Fund. The Fund is fully committed to working with all stakeholders to address the challenges and fulfil the aspirations of Article 204 of the Constitution of Kenya.



GUYO BORU, MBS
C.E.O/Fund Administrator

EXECUTIVE SUMMARY

This Third Quarterly Report for Financial Year 2025/26 outlines the implementation of the Fund from inception to date and provides an update on progress made during the third quarter of FY 2025/26 (1st January to 31st March 2026). It highlights the performance of the Equalization Fund (EF) in executing its constitutional mandate under Article 204 of the Constitution of Kenya (2010).

The report has been prepared in accordance with the Public Finance Management (Equalization Fund Administration) Regulations, 2021, which require the Fund to submit quarterly reports to the Cabinet Secretary, National Treasury and Economic Planning (TNT&EP), with copies to the Commission on Revenue Allocation (CRA) and the Controller of Budget (CoB). It consolidates implementation reports from national government Ministries, Departments and Agencies (MDAs) and beneficiary county governments undertaking EF projects under the First and Second Marginalization Policies. The report presents an overview of implementation status, financial performance, key challenges, and emerging priorities.

During the third quarter of FY 2025/26, the Fund continued implementation of projects across 34 counties under the Second Marginalization Policy and advanced efforts to finalize the projects approved under the First Policy, which covered 14 marginalized counties.

Under the First Policy, 360 projects were approved through the Equalization Fund Appropriation Act, 2018, at a total value of Ksh 11.8 billion. As of 31st March 2026, approximately 81 percent of these projects had been reported as substantially complete and 19 percent as ongoing at varying stages of implementation by the implementing MDAs.

Under the Second Policy, which identified 1,424 marginalized sub-locations in 34 counties, 1,599 projects valued at Ksh. 9.89 billion have been approved. By the end of the third quarter, about 44.85 percent of these projects were fully complete, while 55.15 percent were at various stages. Implementation under this policy continues to enhance intergovernmental collaboration and deliver tangible development outcomes in marginalized areas.

Since inception, the total entitlement to the Fund amounts to Ksh. 80.09 billion of which KSh. 22.7 billion has been appropriated. Of the total appropriation, Ksh. 12.4 billion was for the first policy and Ksh. 10.3 billion for the second policy. The first policy was fully funded and as at 31st March, 2026, a total of Ksh. 7.3 billion had been received by the Fund for the continuous implementation of the EF Appropriation 2023. In the third quarter of FY 2025/26, Ksh 2.3 million was paid into the Fund.

Cumulative disbursements under the Equalization Fund Appropriation Act, 2018 total Ksh. 10.9 billion of the total appropriation of Ksh. 11.8 billion, to MDAs implementing projects under the First Policy. While disbursements from the Equalization Fund Appropriation Act, 2023 amount to Ksh 4.8 billion to beneficiary county governments under the Second Policy. The overall absorption rate under the Second Policy stands at 48 percent, with notable performance recorded in Murang'a (100 percent), Taita Taveta (98 percent), Isiolo (97 percent), Homa Bay (94 percent), Kisumu (94 percent), Mandera (92 percent), and Nandi (92 percent).

Despite steady progress, several challenges persist. The most critical is the accumulation of arrears amounting to Ksh 60.38 billion, which has limited the general implementation of the Fund's constitutional mandates. The use of sub-locations as planning units under the Second Policy has fragmented resources, reducing the scale and sustainability of interventions. Additionally, delays in legislative and administrative processes — including project reprioritization by beneficiary counties and the enactment of appropriation instruments — have affected timely implementation. Capacity gaps at the county level, particularly in technical planning and financial reporting, also continue to impede effective delivery.

To address these challenges, the Fund has strengthened coordination with the National Treasury to expedite settlement of arrears, enhanced technical support and monitoring to build county capacity, and proposed policy reforms aimed at streamlining and consolidating the marginalization framework into a more unified and predictable system.

Going forward, the Fund will focus on completing the remaining projects under the First Policy and accelerating implementation under the Second Policy. Priority areas include strengthening intergovernmental coordination and engaging the National Treasury to anchor future allocations within the Division of Revenue Acts to enhance

predictability and timeliness of disbursements. The Fund will also continue collaborating with the CRA to advocate for a revised marginalization framework that reduces resource fragmentation and maximizes impact at the community level.

In conclusion, the Equalization Fund remains a critical constitutional mechanism for promoting equitable development and bridging service delivery gaps in marginalized regions. Its interventions continue to expand access to essential services for millions of Kenyans, demonstrating the effectiveness of coordinated national and county governments action.

1.0 INTRODUCTION

1.1 Preamble

The Equalisation Fund is established under Article 204(1) of the Constitution of Kenya, 2010, which requires that 0.5% of all revenue collected by the national government each year, based on the most recent audited accounts of revenue received, as approved by the National Assembly, be paid into the Fund. The Fund, as provided by Article 204(2), is intended to provide basic services such as water, roads, health facilities, and electricity to marginalized areas, with the goal of elevating service standards in these regions to the level generally enjoyed by the rest of the nation, so far as possible.

1.2 Marginalization Policies

The identification of marginalized areas is guided by Article 216(4) of the Constitution, which mandates the Commission on Revenue Allocation (CRA) to determine, publish and regularly review a policy on marginalization in which it sets out the criteria by which to identify the marginalised areas for purposes of Article 204(2). Pursuant to this mandate, the First Marginalization Policy was published in 2013; the Commission used three approaches: a perception survey, a report on historical injustice and a County Development Index (CDI).

The countrywide perception survey on which county was marginalized was conducted by the Commission in June 2012. Individual and group questionnaires were administered to respondents in organized forums to list three marginalised counties. From the data collected and analyzed, the Commission ranked the counties based on frequency from the most marginalised to the least.

The Historical Injustice Report defined historical injustices to include exclusion of segments of the community from the mainstream economic, political and social arenas that drive distribution of national resources and services. The Report covered three out of the eight former provinces of Kenya, namely; Coast, North Eastern and Rift Valley. The Report gave account of historical injustices that resulted in some areas/ communities/groups being marginalized on one or more of the grounds alluded to in Article 27(4). Further, the report

listed some of the groups or communities which were considered minorities, and recommended a list of counties in which these groups are domiciled.

The CDI was a composite index that measured the well-being of the people based on four broad dimensions: health, education, infrastructure and poverty. The infrastructure indicators included; roads, electricity and water. Health indicators were immunization, sanitation and deliveries in health facilities. The education had literacy and secondary education indicators. The counties were ranked in order of their development index from the least to the most developed.

The Commission considered the outcome of the three approaches above and employed a methodological triangulation in the identification of the final list of the 14 marginalized counties as shown in part three of this report.

The Second Policy, published in 2018, diverged from the First Policy by using a sub-location as a unit of analysis as opposed to a county in the First Policy. The marginalised areas were identified using a deprivation index composed of five social-economic parameters, namely; net primary school attendance rate, net secondary school attendance rate, access to safe drinking water, use of electricity and use of improved sanitation.

Article 204(2) provides that in improving service delivery, the government shall improve services in key sectors including roads, water, health and electricity in areas defined as marginalised. Given that Article 204 is not limiting, indicators in education were included in the analysis. Roads was excluded from the analysis due to lack of disaggregated data on the status of roads below the county level.

The identification of marginalised areas was based on an index of deprivation calculated based on the five indicators using the Principal Component Analysis (PCA). Based on the PCA index, a total of 7,131 sub locations spread across 47 counties were ranked from the most deprived to the least deprived. The first quintile, comprising 1,424 most deprived sub locations, were identified as marginalised in the Second Policy. These sub locations are spread across 34 counties, 107 constituencies and 374 wards.

In determining the criteria for sharing of revenue from the Equalisation Fund, the Commission considered both the population of an area and the level of deprivation. The number of identified marginalized areas are presented in part two of this report.

The Report covers the period up to 31st March, 2026, and consolidates status reports from beneficiary counties and national government MDAs. It provides a comprehensive overview of projects approved and funded under the First and Second Marginalization Policies and addresses both the technical and financial aspects of Equalisation Fund projects as reported by the implementing entities.

1.2 Objectives of the Report

Central to the PFM (Equalization Fund Administration) 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, 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 third quarter report for FY 2025/26 provides information on approved projects, disbursement status, implementation progress, achievements, challenges encountered and their recommendations and restriction(s) on implementing entities in the utilization of the Fund. Beyond fulfilling a legal obligation, the report serves as a critical accountability and learning tool thus promoting transparency, guiding resource allocation, and supporting evidence-based decision-making. Ultimately, it reflects a shared commitment to improving the quality of basic services in marginalized areas, in line with the Constitution's vision for inclusive and equitable development.

1.2.1 General Objective

The general objective of this report is to provide a comprehensive assessment of the implementation and performance of the Equalisation Fund up to the third quarter of FY

2025/26. The report covers both the First and Second Marginalization Policies, with a view to promoting 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 up to the end of Third Quarter of FY 2025/26 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 up to the Third Quarter of the FY 2025/26;
- iii) To report on the status of disbursements from the Fund to respective county governments and national government implementing agencies up to the Third Quarter of the FY 2025/26, highlighting financial flows under both policies;
- iv) To outline any restrictions imposed on county governments or implementing entities involved in the execution of projects up to the Third Quarter of the FY 2025/26; and
- v) To report on the achievements and challenges encountered up to the Third Quarter of FY 2025/26 and recommendations to address the challenges.

2.0 INSTITUTIONAL FRAMEWORK

2.1 Preamble

The Equalization Fund was first operationalized through the **Guidelines on the Administration of the Equalisation Fund** published through **Gazette Notice No. 1711 of 2015**. These guidelines provided for direct implementation by national government Ministries, Departments, and Agencies (MDAs). However, the Council of Governors (COG) challenged the constitutionality of the guidelines through High Court petition no. 272 of 2016. The High Court in its decision of 2019 granted the prayers of the COG declaring the 2015 Guidelines unconstitutional. Further, the High Court directed the National Treasury to review the administration framework and develop new legal instrument to operationalize the Fund. Consequently, **the Public Finance Management (Equalisation Fund Administration) Regulations, 2021**, were developed to guide the Fund's utilization as conditional grants to county governments.

2.2 Organizational Structure

The PFM (Equalisation Fund Administration) Regulations, 2021 establish a multi-tiered institutional framework for the oversight of the implementation of the Fund at both the national and county levels. This institutional framework is intended to ensure the effective management and implementation of the Fund from the national level down to the community level.

2.3 National Level Oversight

At the national level, two key bodies provide strategic direction and administrative support for the Equalisation Fund:

2.1.1 The Equalisation Fund Advisory Board

The Equalisation Fund Advisory Board, established under Regulation 4(1), provides strategic leadership and crucial oversight. This diverse board comprises of an independent Chairperson, appointed by the CS National Treasury, Principal Secretaries from the National Treasury and State Department for Devolution (or their designated

representatives), and representatives from pastoralist communities, the National Assembly, the Council of Governors, and various stakeholder groups from beneficiary areas. The Chief Executive Officer (CEO) serves as the Board's Secretary. EFAB's extensive mandate, as outlined in Regulation 8(h), includes advising the Cabinet Secretary on fund allocation, appraising and prioritizing projects, closely monitoring implementation, reviewing quarterly reports, and recommending performance improvements to ensure the fund achieves its intended objective.

2.1.2 Secretariat

The Secretariat is the operational backbone of the Equalisation Fund, providing essential technical and administrative support. The CEO appointed under Regulation 21(1) leads the Secretariat, which is established under Regulation 22. The Secretariat's 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

Successful realization of the Equalisation Fund's objectives requires robust coordination mechanisms at the county and sub-county administrations to enhance efficiency and accountability in fund utilization.

The regulations also decentralize project identification through County Technical Committees (CTCs), Sub-County Technical Committees (sCTC) and Project Identification and Implementation Committees (PIICs) at the ward level to enhance efficiency and accountability in fund utilization.

2.2.1 County Technical Committee (CTC)

Constituted under Regulation 14, the CTC is mandated to ensure that all proposed projects are consistent with local development priorities and comply with established eligibility criteria. The Committee is chaired by the County Commissioner and includes, among its membership, the County Executive Committee Member for Finance from the beneficiary

counties. Additional members comprise CDF managers, representatives from the County Assembly, and relevant sector heads. This composition promotes intergovernmental collaboration and enhances transparency and accountability in project identification, 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 pivotal role in the decentralized management of the Fund. The Committee's core functions include receiving and evaluating project proposals, assessing their feasibility, monitoring of implementation progress, and preparation of quarterly progress reports. These responsibilities are aimed at strengthening transparency, accountability, and effective coordination 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

3.1 Preamble

Article 216(4) of the Constitution of Kenya 2010 mandates the Commission on Revenue Allocation (CRA) to develop, publish, and periodically review a policy outlining the criteria for identifying marginalized areas in line with Article 204. As of March 31, 2026, the CRA had developed and published two marginalization policies, both of which are currently being implemented.

3.2 First Marginalization Policy Projects

The First Marginalization Policy, published in February 2013, established the criteria for identifying marginalized areas and guiding the allocation of resources under the Equalisation Fund for the Financial Years 2014/15 to 2017/18. Under this policy, **fourteen (14) counties** were identified 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 a total allocation of **Ksh. 12.4 billion** for the implementation of **360 projects** within these counties. Given that the unit of analysis under the First Policy was the county, the interventions are expected to benefit approximately **9.4 million people** residing in the identified marginalized areas.

In terms of allocation, Turkana County received the highest funding amounting to Ksh. 1.05 billion for the implementation of 14 projects, while Lamu County received the lowest allocation of Ksh. 722.2 million supporting 38 projects. This variation highlights that the number of projects does not necessarily correspond to the level of funding, as allocations per project are influenced by the scope, scale, and sector-specific cost of individual projects. The distribution of funds and the number of approved projects across the beneficiary counties are summarized 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
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)

3.3 Second Marginalization Policy Projects

3.3.1 Marginalized areas

The Second Marginalization Policy, published in 2018, introduced a revised approach to the identification of marginalized areas by shifting the unit of analysis from the county level to the sub-location level. At the time of its development, the country comprised 7,131 sub-locations across the 47 counties.

Using a deprivation-based methodology, the Policy identified **1,424** sub-locations as marginalized planning units. These areas are distributed across 374 wards, 107 constituencies, and 34 counties, namely: Baringo, Bomet, Bungoma, Busia, Elgeyo Marakwet, Garissa, Isiolo, Homa Bay, Kajiado, Kericho, Kilifi, Kisumu, Kitui, Kwale, Laikipia, Lamu, Machakos, Mandera, Marsabit, Meru, Migori, Murang'a, Nandi, Nakuru, Narok, Samburu, Siaya, Taita Taveta, Tana River, Tharaka-Nithi, Turkana, Trans Nzoia, Wajir, and West Pokot.

The distribution of marginalized areas across counties reflects a targeted approach aimed at addressing intra-county disparities, with varying concentrations of deprivation observed across different regions. Consequently, the number of marginalized sub-locations differs significantly by county, underscoring the localized nature of development challenges and the need for tailored interventions. The detailed breakdown of constituencies, wards, and sub-locations is presented in **Table 2**.

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

S/No.	County	Constituencies	Wards	Sub-locations	S/N	County	Constituencies	Wards	Sub-locations
1	Baringo	4	15	90	18	Bomet	1	3	3
2	Garissa	6	27	83		Bungoma	1	4	9
3	Homa-Bay	4	10	20	20	Busia	2	3	3
4	Isiolo	2	8	25		E/Marakwet	3	6	11
5	Kajiado	3	13	64	22	Kericho	3	4	10
6	Kilifi	6	19	78		Kisumu	2	4	4
7	Kitui	4	17	63	24	Laikipia	2	5	18
8	Kwale	4	15	39		Lamu	2	7	10
9	Mandera	6	31	97	26	Machakos	1	2	2
10	Marsabit	4	18	68		Meru	3	4	5
11	Migori	4	9	27	28	Murang'a	1	1	1
12	Narok	6	26	112	29	Nakuru	1	1	1
13	Samburu	3	15	95	30	Nandi	2	4	19
14	Tana River	3	14	65		Siaya	3	5	5
15	Turkana	6	28	144	32	Taita Taveta	2	2	2
16	Wajir	6	30	94		Tharaka-Nithi	2	4	7
17	West Pokot	4	19	149	34	Trans Nzoia	1	1	1
	TOTAL						107	374	1424

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

3.3.2 Approved Projects under the Second Marginalization Policy

In accordance with Regulation 20 of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021, as at 31st March 2026, the Board had received a total of 1,647 project proposals from the 34 beneficiary counties, of which 1,599 projects were approved for implementation while the remaining projects had pending issues for addressing by the beneficiary counties and were referred back reflecting ongoing project appraisal and quality assurance processes.

The approved projects, valued at approximately **Ksh. 9.89 billion**, demonstrate continued expansion in programme implementation under the Second Marginalization Policy. Analysis of approved projects indicates both inter-county and sectoral variations. In terms of project volume, **Wajir County** recorded the highest number of approved projects (192), followed by **Narok (150)**, **Baringo (143)**, **Kitui (119)**, and **Marsabit (105)**. This distribution indicates relatively higher concentration of approved interventions in counties with extensive marginalized areas and higher project demand. Other notable contributors include **Turkana (99)**, **Mandera (91)**, and **Garissa (90)**, further highlighting the spatial spread of programme implementation across ASAL and underserved regions. A detailed breakdown of approved projects by county, alongside their respective budgetary allocations, is presented in **Table 3**.

Table 3: Second Policy Approved Projects and Budgets by county

S/No.	County	Margin alized Areas	Appropriated Amount	Approved Projects	Projects Budget
1	Baringo	90	595,027,099	143	585,607,226
2	Bomet	3	19,215,175	3	19,215,174
3	Bungoma	9	58,779,836	8	58,779,836
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	90	621,784,868
7	Homa-Bay	20	131,603,304	31	131,603,302
8	Isiolo	25	166,157,751	26	166,157,751
9	Kajiado	64	414,765,595	30	398,767,237
10	Kericho	10	60,882,122	12	60,882,122
11	Kilifi	78	539,901,714	68	539,901,714

S/No.	County	Margin alized Areas	Appropriated Amount	Approved Projects	Projects Budget
12	Kisumu	4	24,333,610	4	24,333,610
13	Kitui	63	397,477,349	119	397,477,349
14	Kwale	39	292,590,513	60	292,425,424
15	Laikipia	18	119,303,227	29	119,302,927
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	91	753,408,998
19	Marsabit	68	469,644,478	105	481,756,157
20	Meru	5	29,927,013	6	29,004,018
21	Migori	27	177,764,414	41	177,512,998
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	32	116,745,012
25	Narok	112	771,670,228	150	727,316,971
26	Samburu	95	649,686,536	56	649,686,536
27	Siaya	5	31,973,185	7	31,910,044
28	Taita Taveta	2	13,335,187	3	13,329,996
29	Tana River	65	442,122,368	63	431,557,313
30	Tharaka-Nithi	7	44,005,716	9	43,306,307
31	Trans Nzoia	1	7,478,246	1	7,478,246
32	Turkana	144	1,144,091,494	99	1,144,091,494
33	Wajir	94	730,167,615	192	691,610,040
34	West Pokot	149	1,021,690,952	88	1,021,690,952
	TOTAL	1,424	10,020,407,909	1599	9,893,920,132

Source: Equalization Fund Advisory Board (EFAB)

Sectoral distribution of the approved projects indicates a strong emphasis on **Water (494 projects)** and **Roads (409 projects)**, followed by **Health (310 projects)** and **Education (280 projects)**, while a lower demand was recorded for **Energy projects at (105)**. This distribution, as reflected in **Table 4**, underscores a clear prioritization of basic service delivery infrastructure in marginalized areas, particularly in water access and transport connectivity, which are critical enablers of socio-economic development in the beneficiary counties.

A detailed analysis by county further shows significant variation in sectoral allocation. **Wajir County** that recorded the highest number of approved projects (**192**), has a strong focus on **Roads (62)**, **Water (47)**, **Health (39)**, and **Education (39)**, while **Energy** has only (**5**)

projects. Narok County followed with 150 projects, largely concentrated in Education (95) and Roads (25), complemented by Water (23), and Health (7).

Other notable counties include Baringo (143 projects), with emphasis on Education (60) and Water (44); Kitui (119 projects), dominated by Water (42), Roads (30), and Health (27); and Marsabit (105 projects), with a balanced spread across Education (26), Health (21), Roads (19), and Water (29). Counties such as Turkana (99 projects), Mandera (91 projects), and West Pokot (88 projects) also reflect significant multi-sectoral investment, particularly in Water, Roads, and Health infrastructure.

Table 4: Analysis by county and priority sector for approved projects

S/No.	County	Education	Energy	Health	Roads	Water	Grand Total
1	Baringo	60	6	18	15	44	143
2	Bomet			1	1	1	3
3	Bungoma	1		1	3	3	8
4	Busia		2		1		3
5	Elgeyo Marakwet	1	2	3	4	6	16
6	Garissa	4	17	34	20	15	90
7	Homa Bay	3		5	18	5	31
8	Isiolo			4	15	7	26
9	Kajiado	2	1	6	8	13	30
10	Kericho		2		4	6	12
11	Kilifi			20	27	21	68
12	Kisumu			1	2	1	4
13	Kitui	20		27	30	42	119
14	Kwale	13	12		15	20	60
15	Laikipia	8		2	1	18	29
16	Lamu		1	3	1	5	10
17	Machakos			1		1	2
18	Mandera		10	30	18	33	91
19	Marsabit	26	10	21	19	29	105
20	Meru	1	1		2	2	6
21	Migori		10	12	7	12	41
22	Murang'a					1	1
23	Nakuru					1	1
24	Nandi			4	19	9	32
25	Narok	95		7	25	23	150
26	Samburu		8	6	25	17	56
27	Siaya		1	1		5	7

S/No.	County	Education	Energy	Health	Roads	Water	Grand Total
28	Taita Taveta					3	3
29	Tana River		8	13	15	27	63
30	Tharaka Nithi			3	3	3	9
31	Trans Nzoia			1			1
32	Turkana	6	8	26	10	49	99
33	Wajir	39	5	39	62	47	192
34	West Pokot	1	1	22	39	25	88
	Grand Total	280	105	311	409	494	1599

Source: Equalization Fund Advisory Board (EFAB)

4.0 STATUS OF DISBURSEMENTS OF FUNDS

In the Third quarter of FY 2025/26, Ksh.2,300,000,000 was paid into the Fund for implementation of projects funded by EF Appropriations Act 2023 under the Second Marginalization Policy. Therefore, as at 31st March, 2026, the total amount disbursed to Equalization Fund amounted to Ksh.19,715,190,941, leaving a balance of ksh. 3 billion of the total appropriated amount of ksh.22.7 billion.

Table 5 summarizes entitlements, payments into the Fund, and the arrears as of March 31, 2026.

Table 5: Entitlement, Payment, and Arrears to Equalization 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
2	2012/13	2009/2010	529,300,000,000	2,646,500,000	0		0
3	2013/14	2009/2010	529,300,000,000	2,646,500,000	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	7,852,814,725	7,852,814,725	1,485,190,941	6,367,623,784
15	2025/26	2021/2022	1,920,434,085,078	9,602,170,425	9,602,170,425	4,800,000,000	4,802,170,425
	TOTAL		15,621,877,439,450	79,858,744,200	80,092,840,794	19,715,190,941	60,377,649,853

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

The National Treasury drew up a payment plan for the arrears in the year 2023, as tabulated in Table 6, committing to make additional payments amounting to **Ksh.9.98 billion** annually to clear arrears in addition to the 0.5 percent of the National Audited revenue approved by the National Assembly.

Table 6: Proposed Payment plan of Equalization Fund Arrears in Ksh.

Financial Year (A)	Budget Estimates (B)	Equalization 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

As of 31st March, 2026, the National Treasury has been transferring funds to Equalization Fund upon request for full implementation of the Second Marginalization Policy as appropriated in Equalization Fund Appropriation Act 2023.

4.1 Transfers from the Equalization Fund

The Parliament appropriated **Ksh.12.4 billion** being allocation for Financial Years; **2014/2015, 2015/2016** and **2016/2017** through the Equalization Fund Appropriation Act of 2018 for the implementation of 360 projects in 14 counties identified as marginalized in the First Marginalization Policy. The National Treasury transferred the total appropriated amount to the Equalization Fund Account.

As of 31st March 2026, the total amount transferred to MDAs for implementation of the First Policy projects is **Ksh.10,921,282,757.30** as shown in Table 7.

Table 7: Transfers to MDAs for EF Appropriation Act 2018 by County

No.	County	Allocation EF Appr. Act 2018	Transfers to MDAs	Outstanding Balances
1.	Garissa	783,500,000.00	774,289,296.16	9,210,703.84
2.	Kwale	795,300,000.00	719,824,837.78	75,475,162.22
3.	Lamu	722,199,600.00	670,858,586.67	51,341,013.33
4.	Kilifi	763,500,000.00	678,387,803.44	85,112,196.56
5.	Isiolo	746,900,000.00	689,070,137.50	57,829,862.50
6.	Mandera	967,600,000.00	967,266,621.60	333,378.40
7.	Marsabit	886,200,000.00	844,847,881.55	41,352,118.45
8.	Narok	809,500,000.00	673,216,354.00	136,283,646.00
9.	Samburu	865,917,863.00	816,633,852.02	49,284,010.98
10.	Taita Taveta	751,700,000.00	715,074,403.43	36,125,596.57
11.	Tana River	859,000,000.00	840,670,032.51	18,329,967.49
12.	Turkana	1,050,200,000.00	898,888,876.11	151,311,123.89
13.	Wajir	929,800,000.00	851,715,888.99	78,084,111.01
14.	West Pokot	869,882,138.00	780,538,185.53	89,843,952.47
	Totals	11,801,199,601.00	10,921,282,757.29	879,916,843.71

Source: Equalization Fund Advisory Board (EFAB)

The Parliament appropriated Ksh.10,020,407,910 being allocation for FY 2021/2022 and 2022/2023 through the Equalization Fund Appropriation Act, 2023 for implementation of projects in 34 counties with areas identified as marginalized under the Second Marginalization 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 March 31, 2026, the Equalization Fund had transferred a total of Ksh. 4,820,633,832.05 to Special Purpose Accounts of respective 27 beneficiary county governments for payment of implemented projects as per submitted status reports and completion certificates.

During the third quarter of Financial Year 2025/26, the Fund disbursed a total of Ksh. 1,014,338,054.40 to 12 counties namely: Migori, Kwale, Bungoma, Laikipia, Wajir, Kajiado, Marsabit, Samburu, Murang'a, Baringo, Narok, and Turkana.

The total disbursements to the beneficiary counties are shown in Table 8.

Table 8: Total Disbursements for EF Appropriation Act, by County

S/N	County	Approved Budget	First Quarter Disbursements	Second Quarter Disbursements	Third Quarter Disbursements	Total Disbursements as at 31 st Mar 2026	Absorption Rate	Outstanding Balance
1	Baringo	595,027,099	-	-	61,255,489.80	124,173,641.60	21%	470,853,457.40
2	Bomet	19,215,174	-	-	0	0	0%	19,215,174.00
3	Bungoma	58,779,835	-	32,746,967.25	14,668,021.00	47,414,988.20	81%	11,364,846.80
4	Busia	17,979,656	-	-	0	0	0%	17,979,656.00
5	Elgeyo Marakwet	65,114,752	-	-	0	0	0%	65,114,752.00
6	Garissa	640,784,868	-	-	0	0	0%	640,784,868.00
7	Homa Bay	131,603,302	-	-	0	123,569,224.60	94%	8,034,077.40
8	Isiolo	166,157,748	-	70,946,512.60	0	160,938,163.20	97%	5,219,584.80
9	Kajiado	410,765,596	-	121,989,923.50	32,196,275.60	226,972,003.90	55%	183,793,592.10
10	Kericho	60,882,122	-	-	0	0	0%	60,882,122.00
11	Kilifi	554,293,696	-	-	0	196,091,145.30	35%	358,202,550.70
12	Kisumu	24,333,610	-	-	0	22,774,183.70	94%	1,559,426.30
13	Kitui	395,977,347	-	118,562,504.45	0	118,562,504.45	30%	277,414,842.55
14	Kwale	299,668,190	-	-	49,460,240	49,460,239.15	17%	250,207,950.85
15	Laikipia	119,302,927	-	-	36,817,307	67,454,044.00	57%	51,848,883.00
16	Lamu	57,614,460	-	-	0	0	0%	57,614,460.00
17	Machakos	12,923,347	-	9,283,822.00	0	9,283,822.00	72%	3,639,525.00
18	Mandera	754,389,495	-	-	0	693,457,163.70	92%	60,932,331.30
19	Marsabit	475,185,157	-	103,151,648.00	73,640,507.70	389,099,471.90	82%	86,085,685.10
20	Meru	29,004,018	-	11,914,175.20	0	11,914,175.00	41%	17,089,843.00
21	Migori	182,868,880	-	-	59,562,562	59,562,562.00	33%	123,306,318.00
22	Murang'a	5,679,579	-	-	5,679,579	5,679,579.00	100%	0.00
23	Nakuru	6,435,119	-	-	0	3,046,902.40	47%	3,388,216.60
24	Nandi	119,999,759	-	6,303,020.00	0	110,716,056.20	92%	9,283,702.80
25	Narok	768,535,576	-	-	152,360,780	152,360,779.90	20%	616,174,796.10
26	Samburu	641,090,960	-	-	153,688,148	472,640,753.00	74%	168,450,207.00
27	Siaya	31,910,044	-	-	0	0	0%	31,910,044.00
28	Taita Taveta	13,329,996	-	13,036,663.25	0	13,036,663.25	98%	293,332.75
29	Tana River	442,052,368	-	29,730,587.80	0	173,062,036.90	39%	268,990,331.10
30	Tharaka Nithi	42,915,203	-	-	0	0	0%	42,915,203.00
31	Trans Nzoia	7,478,246	-	-	0	0	0%	7,478,246.00
32	Turkana	1,111,549,914	-	197,651,337.50	210,727,445	646,470,677.80	58%	465,079,236.20
33	Wajir	738,901,889	-	-	164,281,700	164,281,700.00	22%	574,620,189.00
34	West Pokot	1,021,690,952	-	192,049,609.40	0	778,611,350.90	76%	243,079,601.10
	Total	10,023,440,883		907,366,770.95	1,014,338,054.4	4,820,633,832.05	48%	5,202,807,051.95

Source of Data: Equalization Fund Advisory Board (EFAB)

5.0 EQUALISATION FUND IMPLEMENTATION STATUS

5.1 Preamble

This section presents the status of implementation of projects financed under the Equalisation Fund pursuant to both the First and Second Marginalisation Policies. For the Third Quarter Report of FY 2025/26, the status of projects is informed by progress reports submitted by Ministries, Departments and Agencies (MDAs) implementing projects under the First Policy, as well as reports received from County Governments implementing projects under the Second Policy.

5.2 Implementation Status of Equalization Fund Projects

5.2.1 Status of Projects under first policy

Under the First Marginalisation Policy and the Equalisation Fund Appropriation Act, 2018, a total of 360 projects were implemented directly by National Government Ministries, Departments, and Agencies (MDAs). The implementing MDAs subsequently sought and obtained concurrence from the Equalisation Fund Advisory Board (EFAB) to undertake additional components and segments to enhance the utility and sustainability of the respective projects through the utilization of savings realized from the initial 360 projects.

Progress reports submitted by the implementing MDAs indicate that, as at 31st March 2026: 249 projects, representing 69.17 per cent of the total; were 100% fully complete and in use; 46 projects (12.78%) were substantially complete (90-99) % with pending minor works; 13 projects representing 3.61% were 75%-89% level of completion; 15 projects representing 4.17 percent were at 50%-74% completion; and 37 projects (10.28%) were still below 50% implementation rate, as detailed in Table 9. Any ongoing works at these project sites relate to enhancements, rehabilitation, or optimization of scope rather than the introduction of new projects.

Table 9: Status of projects under the First Policy by county

County	<50%	50%-74%	75%-89%	90%-99%	100%	Totals
Garissa	0	1	0	-	8	9
Isiolo	1	3	0	2	11	17
Kilifi	7	0	1	5	45	58
Kwale	4	0	1	-	24	29

County	<50%	50%-74%	75%-89%	90%-99%	100%	Totals
Lamu	6	3	3	2	24	38
Mandera	0	0	0	1	11	12
Marsabit	0	0	2	4	21	27
Narok	7	2	1	8	11	29
Samburu	1	0	0	2	11	14
Taita Taveta	2	2	0	6	28	38
Tana River	1	0	0	-	25	26
Turkana	4	1	0	3	6	14
Wajir	0	2	2	12	11	27
W/Pokot	4	1	3	1	13	22
Sub Total	37	15	13	46	249	360
	10.28%	4.17%	3.61%	12.78%	69.17%	

Source: Reports by MDAs compiled by EFAB

5.2.2 Status of Projects under second policy

Under the Second Policy, as at 31st March 2026, a total of 1,599 projects had been approved for implementation across the thirty-four (34) counties. Reports received from the beneficiary county governments indicate that 718 projects, representing 44.85 per cent of the approved projects, were fully complete, while the remaining projects were at various stages of implementation.

Table 10 presents the implementation status of 1,601 projects as a result that Samburu County split 2 of its approved health projects during implementation therefore resulting in the 2 additional while submitting status reports.

Table 10: Status of projects under the 2nd policy by county

S No.	County	<50%	50%-74%	75%-89%	90%-99%	100%	Totals
1	Baringo	96	9	4	5	29	143
2	Bomet	3	0	0	-	0	3
3	Bungoma	2	0	0	-	6	8
4	Busia	3	0	0	-	0	3
5	Elgeyo Marakwet	16	0	0	-	0	16
6	Garissa	90	0	0	-	0	90
7	Homa Bay	1	0	0	-	30	31
8	Isiolo	1	0	0	11	14	26
9	Kajiado	8	10	4	1	7	30
10	Kericho	12	0	0	-	0	12
11	Kilifi	40	1	1	-	26	68
12	Kisumu	0	0	0	-	4	4

S No.	County	<50%	50%-74%	75%-89%	90%-99%	100%	Totals
13	Kitui	81	0	0	-	38	119
14	Kwale	49	0	0	1	10	60
15	Laikipia	12	0	0	-	17	29
16	Lamu	10	0	0	-	0	10
17	Machakos	0	0	0	-	2	2
18	Mandera	4	0	0	-	87	91
19	Marsabit	14	0	0	2	89	105
20	Meru	1	1	0	2	2	6
21	Migori	19	2	0	-	20	41
22	Muranga	0	0	0	-	1	1
23	Nakuru	0	1	0	-	0	1
24	Nandi	2	1	0	-	29	32
25	Narok	123	16	2	-	9	150
26	Samburu	23	6	3	2	24	58
27	Siaya	7	0	0	-	0	7
28	Taita Taveta	0	0	0	1	2	3
29	Tana River	31	1	0	1	30	63
30	Tharaka Nithi	9	0	0	-	0	9
31	Trans Nzoia	1	0	0	-	0	1
32	Turkana	18	10	8	1	62	99
33	Wajir	56	0	0	-	136	192
34	West Pokot	26	10	4	4	44	88
	Sub Total	758	68	26	31	718	1601
		47.35%	4.25%	1.62%	1.94%	44.85%	

Source: Reports by beneficiary counties and compiled by EFAB

Under the Second Marginalisation Policy, projects are implemented indirectly through County Governments. Analysis of the information presented in Table 11 indicates that, as at 31st March 2026, twenty-four (24) counties had submitted reports on the status of project implementation. The analysis reveals the following:

- i. Seven hundred and eighteen (718), representing **44.85** per cent of the approved projects, were reported to be fully complete and some already in use by residents of the marginalised areas;
- ii. Thirty-one (31), representing **1.94** percent of the approved projects, were reported to be substantially complete and ready for use by the residents of the marginalised areas;

- iii. Twenty-six (26) projects, accounting for **1.62** per cent of the approved projects, were between 75 and 89 per cent complete and were therefore nearing completion;
- iv. Sixty-eight (68) projects, representing **4.25** per cent of the approved projects, were between 50 and 74 per cent complete; and
- v. Seven hundred and fifty-eight (758) projects, accounting for **47.35** per cent of the approved projects, were at less than 50 per cent of implementation.

5.3 Submissions of County Project Implementation Status Reports

Pursuant to Regulation 20, the County Executive Committee Members responsible for Finance, on a quarterly basis prepare reports on funds received and implementation status of all projects financed by the Fund. These reports facilitate compilation of a quarterly report by the Fund for submission to the Cabinet Secretary for the National Treasury with copies to Parliament, the Secretary, Commission on Revenue Allocation and Controller of Budget.

As of 31st March, 2026, twenty-five (25) counties out of the 34 counties under the Second Marginalization Policy had submitted reports on the status of implementation of projects. These counties include: Baringo, Bungoma, Homa Bay, Isiolo, Kajiado, Kilifi, Kisumu, Kitui, Laikipia, Machakos, Mandera, Marsabit, Meru, Migori, Murang'a, Nakuru, Nandi, Narok, Samburu, Taita Taveta, Tana River, Turkana, Wajir, and West Pokot. However, the nine (9) counties that had not submitted reports include: Bomet, Busia, Elgeyo Marakwet, Garissa, Kericho, Kwale, Lamu, Siaya, Tharaka Nithi, and Trans Nzoia as represented in Table eleven.

Table 11: Submissions of Status Reports by County

No.	Submitted	No.	Not Submitted
1.	Baringo	1.	Bomet
2.	Bungoma	2.	Busia
3.	Homa Bay	3.	Elgeyo Marakwet
4.	Isiolo	4.	Garissa
5.	Kajiado	5.	Kericho
6.	Kilifi	6.	Lamu
7.	Kisumu	7.	Siaya
8.	Kitui	8.	Tharaka Nithi

No.	Submitted	No.	Not Submitted
9.	Kwale	9.	Trans Nzoia
10.	Laikipia		
11.	Machakos		
12.	Mandera		
13.	Marsabit		
14.	Meru		
15.	Migori		
16.	Murang'a		
17.	Nakuru		
18.	Nandi		
19.	Narok		
20.	Samburu		
21.	Taita Taveta		
22.	Tana River		
23.	Turkana		
24.	West Pokot		
25.	Wajir		

Source: Equalization Fund Advisory Board

5.4 Monitoring and Verification of Second Marginalisation

The PFM (Equalisation Fund Administration) Regulation 8(e) provides that the Equalisation Fund Advisory Board (EFAB) is to carry out monitoring and evaluation of projects implemented by the county governments using the Equalisation Fund. This function ensures transparency, accountability, and alignment with the constitutional goal of addressing marginalization.

As at 31st March 2026, the Fund has conducted monitoring and verification of projects in eleven (11) counties of the total 34 counties. These counties include: Isiolo, Samburu, West Pokot, Tana River, Kisumu, Nandi, Mandera, Homa Bay, Migori, Marsabit, and Laikipia. The Fund has planned to continue with the monitoring and verification of projects in the remaining counties during the fourth quarter.

6.0 RESTRICTIONS IMPOSED ON A COUNTY GOVERNMENT OR ANY IMPLEMENTING AGENCY

6.1 Preamble

The second policy framework governing project implementation under the Equalisation Fund is anchored on Regulation 20 of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. Under this framework, the Fund is operationalised as a conditional grant to county governments, meaning that its utilisation is strictly guided by predefined legal and policy conditions aimed at ensuring equity, accountability, and targeted development in marginalised areas.

In line with Article 204(2) of the Constitution, the use of the Equalisation Fund is subject to specific statutory and regulatory safeguards designed to uphold prudence and ensure that resources are directed to their intended purpose. The Public Finance Management (Equalisation Fund Administration) Regulations, 2021 further elaborate these restrictions as follows:

- i. The Fund shall be applied exclusively to the provision of basic services such as water, access roads, health facilities, and electricity in marginalised areas. The intention is to progressively raise the quality of these services in such areas to a level comparable, as far as practicable, with the rest of the country, as provided for in the Constitution;
- ii. All funded projects must be located within marginalised areas as identified under the approved policy framework developed by the Commission on Revenue Allocation (CRA) for the identification and allocation of the Equalisation Fund;
- iii. County governments of eligible areas are required to establish and operate dedicated special-purpose bank accounts at the Central Bank of Kenya for purposes of receiving and managing Equalisation Fund resources;
- iv. County Commissioners in eligible counties are mandated to establish technical and implementation & oversight committees at the county, sub-county, and ward levels in accordance with Regulations 14, 16, and 18 of the 2021 Regulations, to support coordination, supervision, and accountability;
- v. Ministries, Departments, and Agencies (MDAs) are required to obtain prior concurrence and confirmation from the Equalisation Fund Advisory Board

(EFAB), through the Chief Executive Officer, before committing additional resources to projects already approved under the first marginalisation policy framework and funded by the EF Appropriation Act 2018; and

- vi. Project implementation under the Fund is undertaken through the Integrated Financial Management Information System (IFMIS), which provides a structured platform for planning, budgeting, procurement, expenditure tracking, and reporting.

These provisions are intended to ensure that Equalisation Fund resources are utilised strictly for their intended purpose, with strengthened oversight, transparency, and alignment to constitutional and regulatory requirements.

7.0 ACHIEVEMENTS, CHALLENGES AND RECOMMENDATIONS

7.1 Preamble

This section outlines the key achievements realized since the inception of the Fund, highlights the challenges encountered under both the First and Second Marginalization Policies, and provides recommendations aimed at addressing these challenges and strengthening the implementation of the Fund

7.2 Achievements

Project implementation across beneficiary counties:

- Implementation of projects across all 34 beneficiary counties under the Second Marginalization Policy is ongoing. As of March 31, 2026, a total of 1,599 projects had been approved, with 46.22% (740 projects) reported as substantially complete.
- Under the First Marginalization Policy, 81.94 % of projects (295 out of 360) had been reported substantially complete by MDAs as of March 31, 2026
- The Fund has disbursed Ksh. 10.9 billion and Ksh. 4.8 billion under the from the EF Appropriation Acts of 2018 and 2023 respectively. Of this, Ksh. 1,014,338,054.40 was disbursed in Quarter 3 of FY 2025/26 for the Second Policy and Ksh.122,654,121.50 for the first policy.
- Monitoring and verification have been conducted on 317 projects across 11 counties: West Pokot (42), Samburu (28), Isiolo (16), Mandera (25), Tana River (27), Nandi (30), Kisumu (4), Migori (24), Homa Bay (25), Marsabit (79), and Laikipia (17).

Continuous stakeholder engagements:

- The Fund has continuously sensitized county committees on their functions and roles as well as provisions of the Regulations. During the third quarter of the FY 2025/26, the Fund conducted sensitization for County Technical Committees for twelve beneficiary counties that had lagged behind in implementation of the Fund; these counties are Migori, Narok, Wajir, Garissa, Kwale, Lamu, Trans Nzoia, Busia, Bomet, Elgeyo Marakwet, Siaya and Kericho.

- Five (5) counties (Garissa, Wajir, Migori, Narok and Kwale) were also capacity built and trained on IFMIS

7.2 Challenges

Spreading the Fund too thinly under the Second marginalization Policy

- The use of sublocation as a unit of analysis and identifying 1,424 areas as marginalised in the Second Marginalization Policy resulted in spreading of the funds too thinly. These thinly spread of the Fund result in micro project which may not achieve the impact that was envisioned by Article 204 to provide basic services including water, roads, health facilities and electricity to marginalised 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 spread of the fund has also resulted to a large number of projects proposed, as of March 31, 2026, a total of 1647 projects have been proposed by beneficiary counties while 1,599 have been approved for implementation.

Slow Implementation:

While the Fund is fully operational, progress has been slow:

- The Fund is owed Ksh. 60 billion in unpaid arrears as of March 31, 2026. While the National Treasury has previously expressed commitments to Parliament in clearing the arrears, this has not been honored.
- The Public Finance Management (PFM) Regulations (2021) require project identification and prioritization through Ward, Sub-County, and County committees. However, delays in proposal submissions, as well as frequent revisions and reprioritization by some counties, have slowed implementation

Uncertainty in the Fund Distribution

The First and Second Marginalization Policies apply significantly different methodologies for identifying marginalized areas and allocating resources. This has resulted in inconsistencies in beneficiary areas and funding levels, creating

uncertainty for implementing entities and counties. Consequently, long-term planning is hindered, potentially reducing the overall impact of projects.

7.3 Recommendations

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

Develop and Review one Marginalization Policy

- In line with Article 216(4) of the CoK, the Commission on Revenue Allocation (CRA) should establish, publish, and regularly review a single Marginalization Policy that defines the criteria for identifying marginalized areas under Article 204(2). This would enhance predictability and enable long-term planning for more impactful projects.
- Marginalization Policy should adopt an approach that does not result in spreading the Fund too thinly geographically and in terms of allocated amounts for the benefiting areas.

Prioritize implementation of the Fund

- The Basis of enacting Equalization Fund Appropriation Acts and payments into the Equalization Fund should be the Division of Revenue Act (DoRA), rather than the National Appropriation Act. The National Treasury should prioritize these payments once DoRA is enacted and facilitate the timely tabling of the Equalization Fund Appropriation Bill on the basis of DoRA.
- The EF Appropriation Bill should therefore be submitted to Parliament concurrently with the National Appropriation Bill following the enactment of DoRA
- With payments into the Fund based on DoRA, this inadvertently makes this constitutional Fund a separate voted entity outside the National Treasury and enable timely transfers.
- Given that the Equalization Fund is a constitutional allocation rather than a discretionary one, its budget should not be subjected to revisions during supplementary budgets. Such revisions negatively affect the financing of the

already Equalization Fund Appropriated Acts and results in accumulation of pending bills and EF arrears.