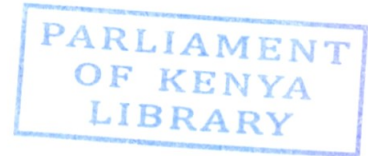




REPUBLIC OF KENYA

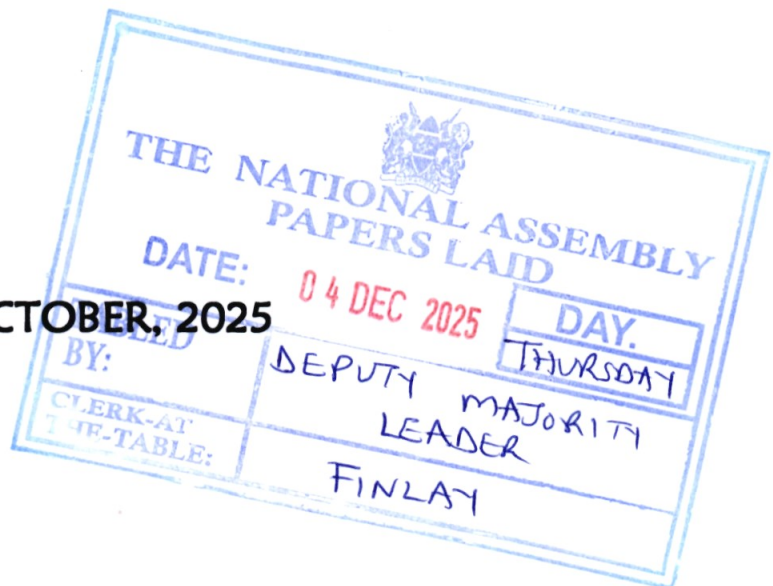


REPUBLIC OF KENYA

EQUALISATION FUND ADVISORY BOARD

FIRST (1<sup>ST</sup>) QUARTER REPORT FOR FISCAL YEAR 2025/26  
ON IMPLEMENTATION OF THE EQUALIZATION FUND

OCTOBER, 2025



## **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

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## 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 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.

This first quarter Report for Fiscal Year 2025/26 provides a framework for feedback, information sharing, and serves as an accountability and transparency mechanism for implementation of Article 204 of the Constitution of Kenya. 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, under coordination of the Projects Administration and Coordination Department, and involved contributions from all the 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 First Quarter Report for the Financial Year 2025/26 reports on the implementation of the Fund since inception and highlights progress reported in the period from 1st July to 30th September 2025. The report presents the performance of the Equalization Fund (EF) in fulfilling its constitutional mandate under Article 204 of the Constitution of Kenya (2010).

This report has been prepared in compliance with the Public Finance Management (Equalization Fund Administration) Regulations, 2021, which requires the Fund to prepare and submit quarterly updates 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 progress reports from both national Ministries, Departments and Agencies (MDAs) and beneficiary county governments implementing EF projects under the First and Second Marginalization Policies respectively. The report provides a snapshot of implementation progress, financial performance, challenges, and emerging priorities for the Fund.

In the quarter one of FY 2025/26, the Fund maintained implementation of projects across 34 counties under the Second Marginalization Policy; and made progress in facilitating completion of the 360 projects Under the First Policy that identified 14 marginalised 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 at 30th September 2025, approximately 82 percent of these projects have been reported complete by the implementing MDAs, directly benefiting over 9 million residents through expanded access to clean water, health facilities, electricity, and roads.

Under the Second Policy, which identified 1,424 marginalized sub-locations across 34 counties, 1,564 projects valued at Ksh 9.8 billion have been approved for implementation. Of the approved projects, an estimated 22 percent have been reported to be substantially complete by the close of the quarter one 2025/26. The implementation of these projects

continues to strengthen intergovernmental collaboration and deliver tangible impact in marginalized areas.

Financially, the Fund's total entitlement since inception amounts to Ksh 80.09 billion, of which Ksh 15.72 billion has been paid into the Fund, leaving outstanding arrears of Ksh 64.38 billion. In Quarter One of FY 2025/26, Ksh 800 million was received into the Fund, earmarked for projects under the Second Policy.

Cumulative disbursements for EF Appropriation Act, 2018 stand at Ksh 10.73 billion to MDAs under the First Policy while disbursement for EF Appropriation Act, 2023 to beneficiary county governments under the Second Policy stand at Ksh 2.90 billion. The overall absorption rate for the Second Policy stood at 29 percent, with notable progress achieved in Homa Bay and Kisumu (94 percent each), Mandera (92 percent) and Nandi (89 percent). The Fund's resource constraints, however, continue to stem from delayed payments into the Fund and pending arrears.

Despite the steady progress, several challenges have persisted. The most significant is the accumulated arrears of Ksh 64.38 billion, which have constrained cash flow and delayed project execution. The fragmentation of resources arising from the use of sub-location as a planning unit under the Second Policy has spread funding too thinly, reducing the scale and sustainability of interventions. Furthermore, slow legislative and administrative processes, including delays emanating from project reprioritization by beneficiary counties as well as enactment of appropriation instruments, have impeded timely implementation. Capacity constraints at county level, particularly in technical planning and financial reporting, also continue to limit effective project delivery. In response, the Fund has enhanced coordination with the National Treasury to expedite arrear settlement, strengthened county capacity through technical support and monitoring, and recommended policy streamlining to consolidate the marginalization framework into a unified, predictable approach.

Looking ahead, the Fund will prioritize the completion of remaining projects under the First Policy and acceleration of implementation under the Second Policy. Key focus areas include improving intergovernmental coordination, and enhanced engagement with the

National Treasury to ensure that future allocations are directly anchored on the Division of Revenue Acts to enhance predictability and timeliness of disbursements. In addition, the Fund will continue to engage CRA and advocate for a revised marginalization framework that minimizes resource fragmentation and maximizes impact at the community level.

In conclusion, the Equalization Fund remains a vital constitutional instrument for advancing equitable development and bridging service delivery gaps in marginalized regions. The Fund's interventions have begun to transform access to essential services for millions of Kenyans, underscoring the effectiveness of coordinated national and county action.

## 1.0 Introduction

### 1.1 Preamble

The Equalisation Fund is established under by 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 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. Pursuant to this mandate, the First Marginalization Policy was published in 2013, to identify marginalized areas, 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 two of this report.

The Second Policy, published in 2018, deviated from the First Policy by using a sub-location as a unit of analysis as opposed to a county that was used 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, 111 constituencies and 366 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.

This First Quarter Report for FY 2025/26 covers the period from up to **30<sup>th</sup> September, 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

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 first 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 agencies 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 first quarter of FY 2025/26 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 up to the end First 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 First 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 First 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 First Quarter of the FY 2025/26; and
- v) To report on the achievements and challenges encountered up to the First Quarter of FY 2025/26 and their recommendations.

## 2.0 Institutional Framework

### 2.1 Preamble

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.

### 2.2 Organizational Structure

The PFM (Equalization Fund Administration) Regulations, 2021 provide for a multitier structure to oversee the implementation of the Fund at the National and County levels. The robust institutional structure ensures effective management and implementation of the Fund from the national 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 by Regulation 4(1), provides strategic leadership and crucial oversight. This diverse board comprises of an independent Chairperson, appointed the CS the 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 impact.

### **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:

### **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 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 September 30, 2025, CRA had developed and published two marginalization policies that are under implementation.

### 3.2 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 1<sup>st</sup> 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

Development Votes by County	Appropriated Amount	No of projects
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
<b>Total</b>	<b>11,801,199,601</b>	<b>360</b>

Source: Equalization Fund Advisory Board (EFAB)

## 3.2 Second Marginalization Policy Projects

### 3.2.1 Marginalised areas

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, Mandera, 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
2	Garissa	6	27	83	19	Bungoma	1	4	9
3	Homa-Bay	4	10	20	20	Busia	2	3	3
4	Isiolo	2	8	25	21	E/Marakwet	3	6	11
5	Kajiado	3	13	64	22	Kericho	3	4	10
6	Kilifi	6	19	78	23	Kisumu	2	4	4

S/N o.	County	Constituencies	Wards	Sub-locations	S/N o.	County	Constituencies	Wards	Sub-locations
7	Kitui	5	17	63	24	Laikipia	2	5	18
8	Kwale	4	15	39	25	Lamu	2	7	10
9	Mandera	6	31	97	26	Machakos	1	2	2
10	Marsabit	4	18	68	27	Meru	3	4	5
11	Migori	4	10	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	31	Siaya	3	5	5
15	Turkana	6	28	144	32	Taita Taveta	2	2	2
16	Wajir	6	30	94	33	Tharaka-Nithi	2	4	7
17	West Pokot	4	19	149	34	Trans Nzoia	1	1	1
<b>TOTAL</b>							<b>111</b>	<b>366</b>	<b>1424</b>

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

### 3.2.2 Approved Projects

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, as of September 30, 2025, the Board received a total of **1,596** project proposals for consideration from the 34 beneficiary counties. The Board has been considering the proposals on a rolling basis and as of September 30, 2025, had approved **1,564 projects** for implementation at an approximate budget of **Ksh. 9.81 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	89	621,784,868
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	27	395,721,767
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	111	376,252,709
14	Kwale	39	292,590,513	61	290,451,457
15	Laikipia	18	119,303,227	30	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	89	754,389,495
19	Marsabit	68	469,644,478	105	475,185,157
20	Meru	5	29,927,013	6	29,004,018
21	Migori	27	177,764,414	41	178,368,880
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	150	725,773,825
26	Samburu	95	649,686,536	39	636,090,960
27	Siaya	5	31,973,185	7	32,148,577
28	Taita Taveta	2	13,335,187	3	13,329,996
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	92	1,112,294,932
33	Wajir	94	730,167,615	220	727,325,516
34	West Pokot	149	1,021,690,952	70	1,021,690,952
	<b>TOTAL</b>	<b>1,424</b>	<b>10,020,407,909</b>	<b>1564</b>	<b>9,806,249,431</b>

*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 Marginalization policies during quarter 1 of Fiscal Year 2025/26. Cumulatively, the Fund has so far 2024/2025, transferred Ksh. 10.73 and **Ksh.2.85 billion** for the First and Second Marginalization policies respectively. During the first quarter of the FY 2025/2026 ending 30th September 2025, the Fund had disbursed **Ksh. 68,161,482** under the First Marginalization Policy.

### 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 for administration of 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., September 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 September 30, 2025, the National Treasury had paid a total of **Ksh.15.72 billion** into the Fund, of which **Ksh.800 million** has been paid into the Fund in Quarter One of FY 2025/26, for implementation of projects funded by EF Appropriations Act 2023 under the second policy. It should be noted that the National Treasury paid into the Fund **Ksh 2.5 billion** in FY 2024/25, however, following the revision of allocation to the EF by Parliament through Supplementary III of FY 2024/25 to **Ksh. 533 million**, **Ksh. 1.01 billion** was recovered from the Fund accounts. Therefore, as at 30<sup>th</sup> September, 2025, the total outstanding balance owed to the Fund is **Ksh.64.38 billion** as shown in table 4.

**Table 4** summarizes entitlements, payments into the Fund, and the arrears as of September 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
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	7,852,814,074	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	800,000,000	8,802,170,425
	<b>TOTAL</b>		<b>15,621,877,439,450</b>	<b>79,858,743,549</b>	<b>80,092,840,794</b>	<b>15,715,190,941</b>	<b>64,377,649,853</b>

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, 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 September, 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
<b>Grand Total</b>	<b>51,680,148,000</b>	<b>39,907,064,000</b>

*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 September 30, 2025 the Equalisation Fund has transferred a total of **Ksh. 10,798,628,635.69** to national government's Ministries, Departments, and Agencies (MDAs) for implementation of the projects of which **Ksh. 68,161,482** was transferred to the Ministry of Water in Quarter One of FY 2025/26.

**Table 6: Transfers to MDAs by County as of September 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	666,347,091.47	55,852,508.53
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

County	Allocation EF Appr. Act 2018	Transfers to MDAs	Outstanding Balances
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
Tana River	859,000,000.00	840,670,032.51	18,329,967.49
Turkana	1,050,200,000.00	864,349,854.84	185,850,145.16
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
<b>Totals</b>	<b>11,801,199,601.00</b>	<b>10,798,628,635.69</b>	<b>1,002,570,965.31</b>

*Source: Equalization Fund Advisory Board (EFAB)*

The disbursement to MDAs is summarized by county in **Table 6** and quarterly disbursement in FY 2025/26 is shown in **Table 7**.

**Table 7: Quarterly Disbursements under the 1st Policy by county in FY 2025/26**

County	Appropriated Amount	Disbursement Q1 2025/26	Total Disbursed Since Inception
Garissa	783,500,000.00	-	774,289,296.16
Kwale	795,300,000.00		719,824,837.78
Lamu	722,199,600.00	7,873,708	666,347,091.47
Kilifi	763,500,000.00		678,387,803.44
Isiolo	746,900,000.00		689,070,137.50
Mandera	967,600,000.00		967,266,621.60
Marsabit	886,200,000.00		844,847,881.55
Narok	809,500,000.00		667,057,418.00
Samburu	865,917,863.00		744,489,069.42
Taita Taveta	751,200,000.00		715,074,403.43
Tana River	859,000,000.00		840,670,032.51
Turkana	1,050,200,000.00	60,287,774	864,349,854.84
Wajir	929,800,000.00		851,715,888.99
West Pokot	870,382,138.00		775,238,299.00
<b>Total</b>	<b>11,801,199,601</b>	<b>68,161,482</b>	<b>10,798,628,635.69</b>

*Source: Equalization Fund Advisory Board (EFAB)*

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 September 30, 2025 the Equalisation Fund has transferred a total of **Ksh. 2,898,928,827.99** to county governments of 15 beneficiary counties. There were no disbursements in quarter one of FY 2025/26. The disbursements as of September 30, 2025 are summarized by county in **Table 8**.

**Table 8: Total Disbursements Under Second Policy by County as of September 30, 2025**

S/N	County	Approved Budget	Transfers Q1 2025/26	Total Transfers as at Sept. 30, 2025	Absorption Rate	Outstanding Balance
1	Baringo	595,027,100		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		123,569,224.65	94%	8,034,079.35
8	Isiolo	166,157,751		89,991,631.70	54%	76,166,119.30
9	Kajiado	414,765,595		72,785,804.80	18%	341,979,790.20
10	Kericho	60,882,122		-	0%	60,882,122.00
11	Kilifi	539,901,714		196,091,145.00	36%	343,810,569.00
12	Kisumu	24,333,610		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		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		693,457,164.00	92%	59,951,834.00
19	Marsabit	469,644,478		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

S/N	County	Approved Budget	Transfers Q1 2025/26	Total Transfers as at Sept. 30, 2025	Absorption Rate	Outstanding Balance
23	Nakuru	6,435,119		3,046,902.40	47%	3,388,216.60
24	Nandi	116,745,012		104,413,036.58	89%	12,331,975.42
25	Narok	771,670,228		-	0%	771,670,228.00
26	Samburu	649,686,536		318,952,605.00	49%	330,733,931.00
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		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		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		586,561,741.15	57%	435,129,210.85
	<b>Total</b>	<b>10,020,407,910</b>		<b>2,898,928,827.99</b>	<b>29%</b>	<b>7,169,482,882.01</b>

*Source of Data: Equalization Fund Advisory Board (EFAB)*

## 5.0 Equalisation Fund Implementation Status

### 5.1 Preamble

This section discusses the projects that have been approved for implementation with Funding from the Equalization Fund under both the First and Second Marginalisation Policies. In this first quarter report for FY 2025/26, progress reports from the MDAs for the first policy and reports from county governments under the Second Policy form the basis of the projects status reports.

### 5.2 Projects Approved for Funding by Equalization Fund

#### 5.2.1 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** (Ksh. 0.4 billion), 2015/16 (Ksh. 6 billion) and 2016/17 (Ksh. 6 billion). 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 as well as for related costs until the completion of all projects.

The Equalisation Fund Appropriation Act, 2017 lapsed on 30<sup>th</sup> June 2017 given it did not provide a clause for non-lapsing as provided in Article 204 (5) of the Constitution. Article 204(5) envisages that any unexpended money in the Equalization Fund at the end of a particular financial year shall remain in that Fund for use in accordance with clauses (2) and (3) during any subsequent financial year. By the time the Act lapsed the MDAs had already only utilized **Ksh.422.24** million.

The unspent amount of **Ksh. 11,977,764,688** was re-appropriated in the Equalization Fund Appropriation Act 2018, allocating **11,549,601,758** for development and **Ksh. 428,162,930** being 4.7% 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	
<b>Total</b>	<b>12,399,999,601</b>	<b>360</b>

*Source: Equalization Fund Appropriation Act, 2018*

### 5.2.2 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 under review (July 1 – September 30, 2025), the Board received proposals from seven (7) counties for review and consideration (Kajiado, Turkana, Kitui, Narok, Mandera,

Marsabit and Laikipia). Additionally, five (5) counties provided reports for conditionally approved projects (Garissa, Lamu, Narok, Laikipia and Kitui). As of September 30, 2025, the Board had cumulatively received proposals for 1,595 projects from all the thirty-four (34) counties. Table 10 shows the proposals by county and sector.

It is noted that the cumulative proposals increased with a small margin in the period under review i.e. 1594 as of 30<sup>th</sup> June, 2025 and 1596 as of 30<sup>th</sup> September, 2025. This is because most of the proposals submitted during the period were replacement for the already approved projects. In addition, two counties (Kajiado and Mandera) submitted projects on the utilisation of savings which were deferred until they fully implement their previously submitted projects.

**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	1	1	6	8	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	8	0	2	1	19	0	30
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	26	10	21	19	29	0	105
20.	Meru	1	1	0	2	2	0	6
21.	Migori	0	10	12	7	13	0	42

S/No	County	Education	Energy	Health	Roads	Water	Other	Total
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	97	0	8	25	27	0	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	7	28	6	46	0	92
33.	Wajir	52	7	58	53	50	0	220
34.	West Pokot	1	1	14	31	23	0	70
	<b>Total</b>	<b>287</b>	<b>121</b>	<b>329</b>	<b>367</b>	<b>491</b>	<b>287</b>	<b>1596</b>

*Source: Equalization Fund Advisory Board (EFAB)*

The Board has been considering and making resolutions on the county proposals on a rolling basis. As of September 30, 2025, the Board had considered the **1596** proposals and approved for implementation a total of **1,564** projects in the 34 Counties. 1353 projects have been fully approved while 211 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	Total
1.	Baringo	14	52	6	15	50	137
2.	Bomet	1	0	0	1	1	3
3.	Bungoma	1	0	0	3	3	7
4.	Busia	0	0	2	1	0	3
5.	Elgeyo Marakwet	3	1	2	4	6	16
6.	Garissa	32	4	16	21	16	89
7.	Homa Bay	5	3	0	16	7	31
8.	Isiolo	4	0	0	14	7	25

S/N	County	Health	Education	Energy	Roads	Water	Total
9.	Kajiado	6	1	1	6	13	27
10.	Kericho	0	0	2	4	5	11
11.	Kilifi	28	0	0	17	22	67
12.	Kisumu	1	0	0	2	1	4
13.	Kitui	29	19	8	18	37	111
14.	Kwale	0	14	12	16	19	61
15.	Laikipia	2	8	0	1	19	30
16.	Lamu	3	0	1	1	5	10
17.	Machakos	1	0	0	0	1	2
18.	Mandera	29	0	11	19	30	89
19.	Marsabit	21	26	10	19	29	105
20.	Meru	0	1	1	3	1	6
21.	Migori	12	0	10	7	12	41
22.	Murang'a	0	0	0	0	1	1
23.	Nakuru	0	0	0	0	1	1
24.	Nandi	4	0	0	18	8	30
25.	Narok	7	95	0	25	23	150
26.	Samburu	3	0	3	25	8	39
27.	Siaya	1	0	1	0	5	7
28.	Taita Taveta	0	0	0	0	3	3
29.	Tana River	12	0	14	13	22	61
30.	Tharaka Nithi	4	0	3	3	4	14
31.	Trans Nzoia	1	0	0	0	0	1
32.	Turkana	28	5	7	6	46	92
33.	Wajir	58	52	7	53	50	220
34.	West Pokot	14	1	1	31	23	70
	<b>Total</b>	<b>325</b>	<b>277</b>	<b>121</b>	<b>357</b>	<b>476</b>	<b>1,564</b>

*Source: Equalization Fund Advisory Board (EFAB)*

### 5.3 Implementation Status of Equalization Fund Projects

#### 5.3.1 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 September 30, 2025. Reports from the implementing MDAs indicate 82 percent (395) of the projects are practically complete as of September 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
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	<b>46</b>	<b>23</b>	<b>16</b>	<b>395</b>	<b>480</b>
Percentage	<b>9.58%</b>	<b>4.79%</b>	<b>3.33%</b>	<b>82.29%</b>	

*Source: Reports by MDAs compiled by EFAB*

As at September 30, 2025 a total of 1564 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 September 30, 2025. The remaining projects are at different stages of implementation. **Table 13** shows implementation status of **1565** 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	89	0	0	-	89
7	Homa Bay	1	0	0	30	31
8	Isiolo	11	0	0	14	25
9	Kajiado	8	7	4	8	27
10	Kericho	11	0	0	-	11
11	Kilifi	39	1	1	26	67
12	Kisumu	0	0	0	4	4
13	Kitui	111	0	0	-	111
14	Kwale	61	0	0	-	61
15	Laikipia	14	6	0	10	30
16	Lamu	10	0	0	-	10
17	Machakos	2	0	0	-	2
18	Mandera	2	0	0	87	89
19	Marsabit	47	0	0	58	105
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	150	0	0	-	150
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	68	15	3	6	92
33	Wajir	220	0	0	-	220
34	West Pokot	24	14	13	19	70
	<b>Sub Total</b>	<b>1146</b>	<b>51</b>	<b>23</b>	<b>345</b>	<b>1,565</b>

*Source: Reports by county governments and compiled by EFAB*

Under the second policy, projects are being implemented indirectly by County governments. Analysis in table 13 reveals that as of September 30, 2025, fifteen (15) counties have reported on the state of implementation of projects. The following is noted

- i. Three hundred and forty-five **(22.04%)** of the approved projects are reported to be practically complete and ready for use by the residents of the marginalized areas.
- ii. Twenty-three **(1.47%)** of the approved projects are between 75-89 percent of implementation thereby are nearing completion;
- iii. Fifty-one **(3.26%)** of the approved projects are between 50 – 74 percent of implementation; while
- iv. One thousand one hundred and thirty-eight **(73.23%)** of the approved projects are at less than 50 percent of implementation.

## 6.0 Restrictions imposed on a County Government or any implementing Agency

### 6.1 Preamble

This section outlines the key legal and administrative restrictions governing the implementation of the Equalisation Fund, as mandated by the Constitution of Kenya 2010 and the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. All project activities during this quarter were undertaken in strict adherence to these frameworks.

### 6.2 Constitutional Mandate and Restrictions

Pursuant to Article 204(2) of the Constitution, the Equalisation Fund is subject to the following foundational restrictions:

**Specific Purpose:** The Fund is exclusively allocated for the development of basic services including Water, Roads, Health Facilities, and Electricity in designated marginalized areas.

**Temporary Nature:** The Fund is a time-bound intervention, scheduled to cease in 2030 after 20 years from the promulgation of the Constitution.

**Defined Beneficiaries:** Expenditure is restricted to projects within marginalized areas as identified by the Commission on Revenue Allocation (CRA). Article 216(4) mandates the CRA 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 the Equalisation Fund.

### 6.3 Operational Restrictions as per PFM Regulations, 2021

The Public Finance Management (Equalisation Fund Administration) Regulations, 2021, impose the following critical restrictions on the implementation agency:

**Community-Led Prioritization:** Project identification is not at the discretion of the implementing agency alone. It must be conducted in consultation with the beneficiary communities to ensure alignment with local needs for the specified basic services. **Bar on Force Account:** The County Government is prohibited from implementing projects using its own direct labour (force account) without prior written approval from the Cabinet Secretary, National Treasury. To facilitate the public involvement in project identification, prioritization and implementation, 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.

**Procurement Compliance:** All procurement activities must adhere fully to the Public Procurement and Asset Disposal Act, 2015.

### 6.2.3 Restrictions on Financial Management

**Ring-fenced Accounts:** All funds received are held in a dedicated bank account, separate from the County Revenue Fund, to enhance accountability and transparency

**Conditional Disbursements:** Continued funding from the National Treasury is contingent upon satisfactory physical and financial performance, as reported in these quarterly returns.

**Bar on Force Account:** Pursuant to Regulation 19(1), county governments are prohibited from implementing projects using its own direct labour (force account) without prior written approval from the Cabinet Secretary, National Treasury.

**Audit and Reporting:** All expenditures are subject to audit by the Auditor-General. This quarterly report is part of the mandatory reporting structure to ensure transparency and accountability.

### 6.3 Administrative Restrictions Instituted by the Cabinet Secretary and the Board

- i. 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.

- ii. Integrated Financial Management System (IFMIS) will be utilized in project implementation by all implementing entities.

#### **6.4 Conclusion of Compliance**

During the reporting period, all activities and expenditures related to the Equalisation Fund have been implemented in full compliance with the restrictions outlined above. The focus remains exclusively on capital development projects for basic services, guided by community input and stringent financial controls.

## 7.0 Achievements, Challenges and Recommendations

### 7.1 Preamble

This section highlights the achievements since inception of the Fund as well as discussing challenges experienced or encountered under both the First and Second Marginalisation policies. Finally, this report makes recommendations to remedy the challenges and improve on the implementation of the Fund.

### 7.2 Achievements

Implementation of Article 2024 of the Constitution of Kenya: Projects under the First Policy are nearing completion; in this first quarter, the During the financial year 2024/25, the Fund can report the following achievements:

#### **Project implementation across beneficiary counties:**

- In December 2024 the Government launched implementation of 1,236 projects valued at Ksh 8.1 billion under the Equalisation Fund, across 1,424 marginalised areas (366 wards, 111 constituencies, 34 counties) identified as marginalised under the Second Policy. This number of projects has risen to 1,564 as of September 30, 2025 valued at Ksh. 9.8 billion
- As of September 30, 2025, 82 percent of the projects funded under the First Policy are complete while 22 percent of those under the Second Policy have been reported complete.

#### **Significant Benefiting Population**

- The Fund can, under the first policy, benefit around 9 million who live in the 14 counties identified as marginalised under the policy; while it can benefit, under the Second Policy, approximately 6 million Kenyans who live in the 1,424 areas identified as marginalised under the policy.

### 7.2 Challenges

#### **Spreading the Fund too thinly under the Second marginalisation Policy**

- The use of sublocation as a unit of analysis and identifying 1,424 areas as marginalised in the Second Marginalisation Policy resulted in spreading of the funds

too thinly. These thinly spread projects face the risk of unsustainability and 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 September 30, 2025, a total of 1,596 projects have been proposed by beneficiary counties while 1,564 have been approved for implementation. The large number of projects increase administrative and overhead costs and may compromise quality due to stretched capacity in managing the projects.

### **Slow Implementation:**

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

- The Fund is owed Ksh. 63.4 billion in unpaid arrears as of September 30, 2025. While the National Treasury has previously expressed commitments to Parliament in clearing the arrears, this has not been honored. The lengthy legislation process in enacting the Equalisation Fund Appropriations Act.
- The PFM Regulations of 2021 that operationalize the Fund provides for project identification, prioritization, and implementation through committees at Ward, Sub-County and County levels, some counties have been slow in submitting project proposals. Furthermore, some counties have had frequent revision and reprioritization of projects adding to the slow implementation.

### **Uncertainty in the Fund Distribution**

The First and Second marginalisation policies employ substantially different approaches in terms of the unit of analysis and the criteria by which to identify marginalised areas. As a result, the beneficiaries in terms of areas and amounts allocated are significantly different between the two policies. This has caused uncertainties for implementing entities and counties to have long term plans on

application of the Equalization Fund and therefore may result in less impactful projects.

### 7.3 Recommendations

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

#### **Develop and Review one Marginalisation Policy**

- Pursuant to Article 216(4) of the CoK, the Commission on Revenue Allocation (CRA) should determine, publish and regularly review just one policy in which it sets out the criteria by which to identify the marginalised areas for purposes of Article 204 (2). This provides assurance and predictability for the benefiting areas to make long term plans and have an opportunity to implement more impactful projects with the Equalization Fund.
- Marginalisation Policy should employ 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 payments into the Equalization Fund should be the Division of Revenue Acts and not the National Appropriation Acts. The National Treasury should prioritize payments into the Fund once DoRA is enacted and facilitate tabling of the Equalization Fund Appropriation Bill on the basis of DoRA.
- The EF Appropriation Bill should therefore be submitted at the same time with the National Appropriation Bill for consideration by parliament upon 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.
- 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.