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REPUBLIC OF KENYA THE NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT – FOURTH SESSION -2025 SELECT COMMITTEE ON BUDGET AND APPROPRIATIONS

REPORT ON EQUALIZATION FUND APPROPRIATION BILL, 2025 (NATIONAL ASSEMBLY BILL NO. 21 OF 2025)

The Clerk's Chambers National Assembly Parliament Buildings NAIROBI



June, 2025

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1. 1. 1. 1.

CHAIRPERSON'S FOREWORD

The Equalisation Fund Bill, 2025 (National Assembly Bill No. 21 of 2025) was published on 12th June 2025 and introduced in the National Assembly on 17th June 2025. It was referred to the Budget and Appropriations Committee for consideration and reporting to the House. The Bill seeks to provide legal authority for appropriating monies from the Equalisation Fund for use in the beneficiary regions during the FY 2025/2026.

The Equalisation Fund is established under Article 204(1) of the Constitution, where one-half per cent (0.5%) of all the revenue collected by the National government each year should be paid. The amount is calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.

Article 204 (2) provides that the National government shall use the Equalisation Fund only 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.

Allocations of the equalisation fund to the marginalised areas are in line with a pre-determined policy developed by the Commission of Revenue Allocation (CRA) as mandated in Article 216 (4) of the Constitution. Currently, the second policy that identified 1,424 marginalised areas across 34 counties is under implementation. Each of the marginalised areas is allocated its share of funds based on an allocation factor as determined by the CRA.

The Bill seeks to appropriate a total of Ksh. 16.8 billion to 1,424 marginalised areas. This total comprises Ksh. 6.2 billion carried forward from the 2024/2025 allocation, and Ksh. 10.6 billion allocated for FY 2025/2026. The latter amount includes Ksh. 7.852 billion, which represents 0.5% of the most recent audited and approved national revenues, and Ksh. 2.747 billion in arrears approved under the Division of Revenue Bill, 2025.

1.0 PREFACE

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1.1 Establishment and Mandate of the Committee

- 1. Article 221 (4 and 5) of the Constitution and Section 7 of the Public Finance Management Act, Cap 412A, provide for the establishment of a Committee of the National Assembly whose main role is to take the lead in budgetary oversight by the National Assembly. Pursuant to this constitutional provision, Standing Order 207 establishes the Budget and Appropriations Committee with specific mandates, among which is to:
 - i. Investigate, inquire into, and report on all matters relating to the coordination, control, and monitoring of the national budget;
 - ii. Discuss/Review the budget estimates and make recommendations to the House;
 - iii. Examine the Budget Policy Statement presented to the House;
 - iv. Examine bills related to the national budget, including appropriation bills:
 - v. Evaluate tax estimates, economic and budgetary policies, and programmes with direct budget outlays; and
 - vi. Examine the Division of Revenue Bill.

1.2 Membership of the Committee

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

CHAIRPERSON

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

VICE CHAIRPERSON

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

MEMBERS

Hon. Ndindi, Nyoro, CBS, M.P. Kiharu Constituency UDA PARTY Hon. Chumel, Samwel Moroto, M.P. Kapenguria Constituency UDA PARTY

Hon. (Dr.) Adan Wehliye Keynan, CBS,

Hon. Mulu, Makali, PhD, CBS, M.P.

M.P.
Eldas Constituency
Jubilee Party
Hon. Lekuton, Joseph, M.P.
Laisamis Constituency
UDM PARTY

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

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

Hon. Mwirigi, John Paul, M.P. Igembe South Constituency UDA PARTY

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

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

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

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

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

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

Hon. Kagiri, Jane Wangechi, OGW, M.P. Laikipia County UDA Party Kitui Central Constituency WDM – Kenya

Hon. Lesuuda, Josephine Naisula,
OGW, M.P.
Samburu West Constituency
KANU PARTY
Hon. Robi, Mathias Nyamabe, M.P.
Kuria West Constituency
UDA PARTY

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

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

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

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

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

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

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

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

1.3 Committee Secretariat

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3. The Committee Secretariat comprises the following:

Mr. Danson Kachumbo

Senior Fiscal Analyst/ Lead Clerk

Ms. Sylvia Ocharo

Mr. Ringine Mutwiri

Senior Research Officer/Clerk

Fiscal Analyst/ Clerk Assistant

Assistant

FA. Loice Olesia

Fiscal Analyst

Mr. Moses Mwariri

Legal Counsel

Ms. Fridah Ngari

Media Relations

Mr. Simon Ouko Serieant-at-arms

Mr. Nimrod Ochieng

Audio Officer

Mr. Jared Amara Office Assistant

1.4 Technical Support to the Committee

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

FA (Dr.) Martin Masinde Director, Parliamentary Budget Office

Dr. Abel Nyagwachi Senior Fiscal Analyst Mr. Kioko Kiminza Fiscal Analyst II

1.5 Acknowledgements

2. The Budget and Appropriations Committee is grateful to the Office of the Speaker of the National Assembly, the Office of the Clerk of the National Assembly, and the Parliamentary Budget Office for the support extended in fulfilling this mandate of reviewing the Equalization Fund Appropriation Bill, 2025. On behalf of the Committee, it is my pleasant duty and privilege to table the Report and recommend it to the House for adoption.

SIGNED

HON. SAMUEL ATANDI, M.P.

CHAIRPERSON, T	HE BUDGET	AND APP	PROPR	RIATIONS	COMMITTEE
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2.0 Background of the Bill

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- 1. The Equalisation Fund Bill, 2025 (National Assembly Bill No. 21 of 2025) was published on June 12th, 2025, and formally introduced in the National Assembly on June 17th, 2025. The Bill was committed to the Budget and Appropriations Committee for consideration and reporting to the House. The primary objective of the Bill is to authorize the appropriation of funds from the Equalisation Fund for use in designated beneficiary regions during the 2025/2026 financial year.
- 2. The Equalisation Fund was established through Article 204(1) of the Constitution of Kenya with the purpose of addressing regional disparities in development. It mandates that 0.5% of all revenue collected annually by the national government be allocated to this fund. This amount is calculated using the most recent audited revenues, as reviewed and approved by the National Assembly.
- 3. The Equalisation Fund is specifically designated for delivering basic services such as clean water, accessible roads, health facilities, and electricity to marginalised areas. Its purpose is to elevate the quality of these services to match the national standard, thereby promoting equitable and sustainable development.
- 4. To ensure the fund is used efficiently and as intended, Article 204(5) of the Constitution and Section 18(6) of the Public Finance Management Act, Cap. 412A stipulates that any unspent balances in the Fund do not lapse at the end of the financial year. Instead, they are carried forward and remain available exclusively for the original objective of the Fund.
- 5. Under Article 204(3) of the Constitution, funds from the Equalisation Fund can only be spent once Parliament enacts an appropriation Bill. This legislative requirement ensures transparency and accountability in the disbursement of the funds. Furthermore, the national government may utilize the Equalisation Fund directly or channel it indirectly through

- conditional grants to county governments that host marginalised communities.
- 6. The identification of marginalised areas eligible for Equalisation Fund support is guided by Articles 204(4) and 216(4) of the Constitution, which assign this responsibility to the Commission on Revenue Allocation (CRA). The CRA is mandated to formulate, publish, and regularly update a comprehensive policy outlining the criteria used to determine marginalised areas.
- 7. In its Second Policy on Marginalisation, the CRA identified 1,424 marginalised sub-locations spread across 34 counties and 107 constituencies. Each of these areas was assigned a specific allocation factor, which determines how funds are distributed under the Equalisation Fund. This approach is designed to ensure that resources are allocated equitably, targeting the most underserved communities.

3.0 Highlights of Equalisation Fund Appropriation Bill,2025.

- 8. The Equalisation Fund Appropriation Bill, 2025 allocates a total of Ksh. 16.8 billion to 1,424 marginalised areas for the 2025/2026 financial year. This total comprises Ksh. 6.2 billion carried forward from the 2024/2025 allocation, and Ksh. 10.6 billion allocated for FY 2025/2026. The latter amount includes Ksh. 7.852 billion, which represents 0.5% of the most recent audited and approved national revenues, and Ksh. 2.747 billion in arrears approved under the Division of Revenue Bill, 2025.
- 9. Of the total Ksh. 16.8 billion appropriated under the Equalisation Fund Appropriation Bill, 2025, for the FY 2025/26, Ksh. 504 million has been set aside to cover Secretariat or Board expenses, which include administrative and oversight functions essential to the Fund's execution. This allocation complies with Regulation 10(3) of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021, which limits such expenses to no more than 3 percent of the annual approved allocation.

10. The remaining Ksh. 16.296 billion has been distributed across marginalised areas based on the allocation factors defined in the Second Policy on Marginalisation. The Bill details the specific appropriations to each County and its respective Constituencies, clearly indicating how much funding each will receive. The full distribution breakdown by County and Constituency is provided in Annex 1 of the Report.

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- 11. County-level allocations under the Bill reveal that eight counties account for over 60% of the total Ksh. 16.8 billion allocation. Turkana County receives the highest share at Ksh. 1.86 billion, followed closely by West Pokot County with Ksh. 1.7 billion. Other counties with substantial allocations include Narok (Ksh. 1.3 billion), Mandera and Wajir (Ksh. 1.2 billion each), Samburu (Ksh. 1.1 billion), Garissa (Ksh. 1.0 billion), and Baringo (Ksh. 967 million). This distribution underscores the concentration of marginalised areas within these counties, reflecting their continued prioritisation in the effort to address regional inequalities in access to basic services.
- 12. The Bill stipulates that the allocated funds shall not be deposited into the County Revenue Fund (CRF). Instead, the monies will be transferred directly to a special purpose account opened by each beneficiary county at the Central Bank of Kenya. This arrangement enhances financial control and ensures the funds are used exclusively for their intended purpose. Furthermore, the enactment of the Bill itself constitutes sufficient legal authority for the Controller of Budget to approve and authorize withdrawals from the Fund, streamlining the disbursement process.
- 13. In addition, the Bill provides that once the Controller of Budget authorizes a withdrawal from the Equalisation Fund, and the Secretary of the Board submits written instructions through the National Treasury requesting the release of funds, this documentation shall constitute sufficient authority for the Central Bank of Kenya to effect payment from the Fund Account.

4.0 Observations and Recommendations by the Committee

Based on the interrogation of the provisions of the Bill and ensuing deliberations, the Committee made the following observations and recommendations:

4.1 Committee Observations

- 14. The Bill proposes an appropriation of Ksh. 16.8 billion, which includes a Ksh. 10.6 billion allocation for FY 2025/26. However, upon approval of the budget estimates, the National Assembly set the actual allocation to the Fund at Ksh. 9.59 billion, resulting in a shortfall of Ksh. 1.01 billion.
- 15. The Equalisation Fund Appropriation Bill, 2025, is set to become the third such Act. The first being the Equalisation Fund Appropriation Act, 2018, which allocated Ksh. 12.4 billion for financial years 2014/15, 2015/16, and 2016/17 under the First Marginalisation Policy; and the Equalisation Fund Appropriation Act, 2023, which allocated Ksh. 10.3 billion for FYs 2021/22 and 2022/23 under the Second Marginalisation Policy. However, implementation of the 2023 Act did not proceed, as the Ksh. 10.3 billion allocation was revised to zero in the Supplementary Estimates of FY 2022/23.
- 16. By the end of the financial year in June 2024, only Ksh. 1 billion had been disbursed to the Fund, as reported by the Auditor General. Since the mediation process on the corresponding Appropriation Bill failed, the legal framework to authorize spending of the allocation was not enacted. Consequently, the status and intended use of the Ksh. 1 billion already disbursed remain uncertain.
- 17. The outstanding arrears to the Equalisation Fund stood at Ksh. 46.5 billion as of June 2024, against a cumulative entitlement of Ksh. 59.96 billion since the Fund's inception. This means that only Ksh. 13.4 billion, equivalent to 22.4% of the total entitled amount, has been disbursed to the Fund. This shortfall in funding not only undermines the Fund's credibility but also poses a serious threat to the achievement of its core mandate.

4.2 Committee Recommendations

18. The Committee, having reviewed, scrutinized, and examined the Equalization Fund Appropriation Bill, 2025, recommends that the House approve the Bill without amendments, as proposed in the first schedule.

H. E. M.

SIGNED

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

DATE 18.6.228

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TIONAL ASSEMBLY APERS LAID 18 JUN 2025 Wednesday					
Hon. Samuel Afandi, N (Chairperson) Lomale					

First Schedule: Allocation per County and Constituency.

SN	CONSTITUENCY	AMOUNT(Ksh)	Constituency % benefit	County overall Benefit
1	Baringo North	86,554,756	8.9%	5.9%
2	Baringo South	134,368,950	13.9%	
3	Mogotio	164,233,062	17.0%	
4	Tiaty	582,524,558	60.2%	
	Total for Baringo County	967,681,326		
		04 040 075	1000/	0.00/
1	Chepalungu	31,249,275	100%	0.2%
	Total for Bomet County	31,249,275		
1	Mt Elgon	95,592,537	100%	0.6%
	Total for Bungoma County	95,592,537		
1	Budalangi	9,710,807	33.2%	0.2%
2	Teso North	19,529,167	66.8%	0.270
	Total For Busia County	29,239,974	00.070	
	Total For Buola County	20,200,0141		
1	Keiyo South	9,039,410	8.5%	0.6%
2	Marakwet East	87,509,704	82.6%	
3	Marakwet West	9,345,776	8.8%	
	Total for Elegeyo Marakwet	105,894,890		
1	Balambala	256,507,727	25.0%	6.3%
2	Dadaab	152,216,367	14.8%	2.02.02
3	Fafi	144,459,455	14.1%	
4	Garissa Township	23,942,133	2.3%	
5	Ijara	287,356,119	28.0%	
6	Lagdera	161,558,883	15.7%	
	Total for Garissa County	1,026,040,684		
4	5 -	40.440.000	4.00/	1.3%
1	Homa Bay Town	10,440,869	4.9%	1.3%
2	Ndhiwa	120,305,473	56.2%	
3	Suba North	29,748,410	13.9% 25.0%	
4	Suba South Total for Homabay	53,529,213 214,023,965	25.0%	
	Total for Homabay	214,020,300		
1	Isiolo North	162,425,832	60.1%	1.7%
2	Isiolo South	107,793,378	39.9%	
	Total for Isiolo	270,219,210		
1	Kajiado Central	233,919,794	34.7%	4.1%
2	Kajiado South	102,681,312	15.2%	

3	Kajiado West	337,924,343	50.1%	
	Total for Kajiado County	674,525,449		
1	Bureti	10,812,419	10.9%	0.6%
2	Kipkelion West	10,385,463	10.5%	
3	Sigowet/Soin	77,813,563	78.6%	
<u> </u>	Total for Kericho	99,011,445		
	Total for Rollens			
1	Ganze	313,863,249	35.7%	5.4%
2	Kaloleni	175,930,356	20.0%	
3	Kilifi North	11,584,851	1.3%	
4	Magarini	300,133,840	34.2%	
5	Malindi	53,977,354	6.1%	
6	Rabai	22,542,304	2.6%	
0	Total for Kilifi County	878,031,954		
	Total for Killi County	5. 5,55 .,55 .		
1	Muhoroni	20,167,972	51.0%	0.2%
1	ECCUS MAN TO THE PROPERTY OF T	19,405,318	49.0%	
2	Nyando	39,573,290		
	Total for Kisumu County	05,010,200		
4	Kitui Foot	215,946,897	33.4%	4.0%
1_	Kitui East Kitui South	149,954,477	23.2%	
2		95,410,021	14.8%	
3	Mwingi Central	185,098,505	28.6%	
4	Mwingi North Total for Kitui County	646,409,900		
	Total for Kitul County	040,400,000		
	Vinange	265,266,845	55.7%	2.9%
1_	Kinango	130,555,678	27.4%	
2	Lunga Lunga	59,410,452	12.5%	
3	Matuga	20,601,446	4.3%	
4	Msambweni	475,834,421	1.070	
	Total for Kwale	475,004,421		
	I siliinin North	182,140,774	93.9%	1.2%
1	Laikipia North	11,879,809	6.1%	
2	Laikipia West	194,020,583	0.170	
	Total for Laikipia	194,020,303		
4	Lamu Foot	41,721,107	44.5%	0.6%
1	Lamu East Lamu West	51,976,201	55.5%	
2		93,697,308	00.070	
	Total for Lamu	33,037,000		
4	Masings	21,016,995	100%	0.1%
1	Masinga Mashakas	21,016,995	10070	5,170
	Total for Machakos County	21,010,333		
1	Banissa	157,776,574	12.9%	7.5%
1	Lafey	247,689,943	20.2%	
2	Mandera East	209,045,527	17.1%	

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4	Mandera North	231,939,825	18.9%	
5	Mandera South	227,192,791	18.5%	
6	Mandera West	151,610,154	12.4%	
	Total for Mandera County	1,225,254,814		
1	Laisamis	302,749,353	39.6%	4.7%
2	Moyale	175,933,615	23.0%	
3	North Horr	239,618,517	31.4%	
4	Saku	45,472,454	6.0%	
	Total for Marsabit County	763,773,939		
1	Igembe South	19,532,427	40.1%	0.3%
2	South Imenti	9,893,322	20.3%	
3	Tigania East	19,243,987	39.5%	
	Total for Meru County	48,669,736		
1	Kuria West	11,594,628	4.0%	1.8%
2	Nyatike	178,265,578	61.7%	
3	Suna West	77,917,858	27.0%	
4	Uriri	21,316,842	7.4%	
	Total for Migori County	289,094,906		
	The state of the s			
1	Gatanga	9,236,592	100%	0.1%
	Total for Murang'a County	9,236,592		
1	Rongai	10,465,313	100%	0.1%
	Total for Nakuru County	10,465,313		
	4.			
1	Nandi Hills	20,159,824	10.6%	1.2%
<u>.</u> 2	Tinderet	169,700,382	89.4%	,
	Total for Nandi County	189,860,206		
	I country to the country	.00,000,200		
1	Emurua Dikirr	36,323,860	2.9%	7.7%
<u>.</u> 2	Kilgoris	350,053,482	27.9%	
 3	Narok East	148,337,911	11.8%	
4	Narok North	246,547,591	19.6%	
<u>.</u> 5	Narok South	278,241,748	22.2%	
3 3	Narok West	195,448,116	15.6%	
	Total for Narok County	1,254,952,708	10.070	
	Total for Nation County	1,20-1,002,100		
1	Samburu East	308,536,075	29.2%	6.5%
2	Samburu North	498,423,984	47.2%	5.570
<u>-</u> 3	Samburu West	249,612,875	23.6%	
,	Total for Samburu County	1,056,572,934	20.070	
	Total for Samburu County	1,000,012,004		
	Bondo	20,563,966	39.5%	0.3%
		Z 1		

	Rarieda	11,544,111	22.2%	
	Total for Siaya County	51,997,387		
				0.40/
1	Taveta	10,305,612	47.5%	0.1%
2	Voi	11,381,150	52.5%	
	Total for Taita Taveta	21,686,762		
				4.40/
1	Bura	259,489,901	36.1%	4.4%
2	Galole	196,502,469	27.3%	
3	Garsen	263,022,881	36.6%	
	Total for Tana River County	719,015,251		
		18,450,370	25.8%	0.4%
1	Maara	53,115,294	74.2%	0.170
2	Tharaka	71,565,664	74.270	
	Total for Tharaka Nithi	71,505,004		
		12,161,730	100%	0.1%
1	Endebess	12,161,730	10070	0
	Total for Trans Nzoia County	12,101,730		
		240 702 947	18.3%	11.4%
1	Loima	340,702,817	11.3%	11.470
2	Turkana Central	210,644,168	10.3%	
3	Turkana East	190,727,155	27.7%	
4	Turkana North	516,114,959	10.0%	
5	Turkana South	185,266,354	22.4%	
6	Turkana West	417,158,921	22.470	
	Total for Turkana County	1,860,614,374		
1	Eldas	158,053,606	13.3%	7.3%
2	Tarbaj	197,481,861	16.6%	
3	Wajir East	88,428,800	7.4%	
4	Wajir North	242,687,060	20.4%	
5	Wajir South	335,743,934	28.3%	
6	Wajir West	165,062,531	13.9%	
U	Total for Wajir County	1,187,457,792		
1	Kacheliba	570,382,383	34.3%	10.2%
2	Kapenguria	436,047,654	26.2%	
3	Pokot South	236,170,276	14.2%	
4	Sigor	418,956,373	25.2%	
4	Total for West Pokot County	1,661,556,686		
	Total allocation for	16,296,000,000		100%
	development expenditure			
	Secretariat expense	504,000,000	3 % of the total allocation	

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Total Equalization Fund	16,800,000,000	

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