

**PARLIAMENT OF KENYA**  
**THE SENATE**  
**SENATE BILLS DIGEST**  
**THE EQUALISATION FUND APPROPRIATION BILL**  
**(SENATE BILLS NO. 7 OF 2025)**

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**Sponsor:** Sen. (Capt.) Ali Ibrahim Roba, EGH, MP  
**Date of Publication:** 18<sup>th</sup> June, 2025  
**Date of First Reading:** 27<sup>th</sup> June, 2025  
**Committee referred to:** Standing Committee on Finance and Budget  
**Type of Bill:** Ordinary Bill

**1. PURPOSE OF THE BILL**

The principal object of the Equalisation Fund Appropriation Bill, 2025 is to provide a legal framework for the issuance of funds out of the Equalisation Fund to provide basic services to marginalized areas in the financial year 2025/2026.

**2. BACKGROUND OF THE BILL**

***What problem is the Bill seeking to address?***

Article 204(1) of the Constitution provides that “*there is established an Equalisation Fund into which shall be paid one half per cent of all the revenue collected by the National Government each year calculated on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly*”.

Article 204(2) further 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*”.

Article 204(3) of the Constitution on the other hand provides that “*the national government may use the Equalisation Fund only to the extent that the expenditure of those funds has been*

*approved in an Appropriation Bill enacted by Parliament; and either directly, or indirectly through conditional grants to counties in which marginalised communities exist”.*

Noting that there is need, and indeed a constitutional requirement, for the enactment of appropriation legislation to facilitate the issuance of funds out of the Equalisation Fund to provide basic services to marginalized areas, the Bill fulfills this need and constitutional requirement.

***What does the law currently provide?***

There is currently no law in place providing for the issuance of funds out of the Equalisation Fund for the provision of basic services for the financial year 2025/2026. Other laws providing for the issuance of funds out of the Equalisation Fund only relate to the respective financial years during which the laws were enacted, the last being the Equalisation Fund Appropriation Act (No. 7 of 2023) which provided for the issuance of funds out of the Equalisation Fund for the provision of basic services for the financial year 2022/2023.

***Why the Bill?***

The Bill makes provision for the issuance and utilization of funds out of the Equalisation Fund for the financial year 2025/2026. Once passed, the Bill will ensure funds allocated to the Equalisation Fund are issued and utilized for the provision of services to marginalized areas of the country as contemplated under Article 204 of the Constitution.

**3. OVERVIEW OF THE BILL**

***What does the Bill aim to achieve?***

The Bill provides a legal framework for the issuance of funds out of the Equalisation Fund and their allocation to provide basic services to marginalized areas of the country in the financial year 2025/2026.

***When does the Bill start to apply?***

The Bill provides that once enacted it would come into force on the date of its publication in the *Gazette*.

***Issue and Appropriation of Monies out of the Equalisation Fund***

The Bill empowers the Equalisation Fund Secretariat to issue **KShs. 16,800,000,000/-** out of the Equalisation Fund and apply it for the provision of basic services to various constituencies for the financial year 2025/2026.

The Bill further appropriates the funds issued for the provision of basic services specified under Article 204 of the Constitution, the Public Finance Management Act and the Public Finance Management (Equalisation Fund Administration) Regulations for the Equalisation Fund Secretariat, counties and constituencies as specified in the Schedule to the Bill.

***Is the money sent to county governments?***

The Bill excludes money appropriated under it from being sent to county revenue funds as contemplated under Article 207(1) of the Constitution and section 109(2)(c) of the Public Finance Management Act.

***Will the money be sent back to the Equalisation Fund if the projects being undertaken are not completed within the financial year 2025/2026?***

The Bill provides that the issuance of the money from the Equalisation Fund will remain in place until all the projects identified in each constituency as specified in the Schedule are completed. It further empowers the Controller of Budget to authorise the withdrawal of funds from the Equalisation Fund as allocated by the Bill where projects are implemented for more than one financial year.

***What authority does the Central Bank of Kenya require to pay monies from the Equalisation Fund?***

The Bill stipulates that the authorisation by the Controller of Budget of a withdrawal from the Equalisation Fund together with written instructions from the Secretary of the Equalisation Fund Advisory Board, through the National Treasury, requesting for the withdrawal will be sufficient authority for the Central Bank of Kenya to pay monies from the Equalisation Fund Account in accordance with the approval and instructions.

### ***Schedule***

The Bill contains a Schedule which specifies the amounts to be utilised to settle the expenses of the Equalisation Fund Secretariat and various constituencies development expenses i.e., for the provision of basic services including water, roads, health facilities and electricity.

The Schedule allocates **KShs. 504,000,000/-** to the Equalisation Fund Secretariat for its expenses for the financial year 2025/2026. It further allocates a total of **KShs. 16,296,000,000/-** for the settlement of development expenses in various constituencies in Baringo, Bomet, Bungoma, Busia, Elgeyo Marakwet, Garissa, Homa Bay, Isiolo, Kajiado, Kericho, Kilifi, Kisumu, Kitui, Kwale, Laikipia, Lamu, Machakos, Mandera, Marsabit, Meru, Migori, Murang'a, Nakuru, Nandi, Narok, Samburu, Siaya, Taita Taveta, Tana River, Tharaka Nithi, Trans Nzoia, Turkana, Wajir and West Pokot counties for the financial year 2025/2026.

#### **4. CONSEQUENCES OF THE BILL**

The Bill, once enacted, will ensure that funds allocated to the Equalisation Fund are issued and utilized for the provision of basic services to marginalized areas of the country to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the country, so far as possible as contemplated under Article 204 of the Constitution.

#### **5. WAY FORWARD**

##### ***What next?***

The Bill was Read a First Time in the Senate on 27<sup>th</sup> June, 2025. Pursuant to standing order 145 of the Senate Standing Orders, the Senate Standing Committee on Finance and Budget shall facilitate public participation and shall take into account the views and recommendations of the public when the committee submits its report to the Senate.

Pursuant to standing order 148 of the Senate Standing Orders, the Committee is required to submit its report to the Senate within thirty (30) calendar days of the committal of the Bill to the Committee, therefore, by 28<sup>th</sup> July, 2025

***What is expected of the members of public?***

The members of the public are expected to present their views to the Standing Committee on Finance and Budget for consideration.

**Note:**

1. This Digest reflects the Bill as published and does not cover any subsequent amendments to the Bill made thereafter.
2. The Digest does not have any official legal status.