



REPUBLIC OF KENYA
THE NATIONAL ASSEMBLY


*Approved
SNA
23/9/25*

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

REPORT ON EQUALIZATION FUND APPROPRIATION BILL, 2025
(SENATE BILL NO. 7 OF 2025)

The Clerk's Chambers
National Assembly
Parliament Buildings
NAIROBI



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 SEP 2025	
DAY: Wednesday	
TABLED BY:	Hon. Samuel Atendi, MP Chairperson
CLERK-AT THE-TABLE:	A. Shibusko

September, 2025

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CHAIRPERSON'S FOREWORD

The Equalisation Fund Appropriation Bill, 2025 (Senate Bill No. 7 of 2025) was published on 18th June 2025, considered and passed by the Senate on 22nd July 2025, and subsequently referred to the National Assembly for concurrence. Thereafter, it was committed to the Budget and Appropriations Committee for consideration and reporting to the House. The Bill seeks to provide a legal framework for the appropriation of monies from the Equalisation Fund for utilisation in the identified beneficiary regions during the FY 2025/2026.

The Equalisation Fund is established under Article 204(1) of the Constitution, which provides that one-half per cent (0.5%) of all revenue collected by the National Government each year shall be paid into the Fund. The amount is determined on the basis of the most recent audited accounts of revenue received, as approved by the National Assembly.

The constitutional rationale of the Fund is to address historical marginalisation by financing programmes and projects aimed at improving access to basic services such as water, roads, health facilities, and electricity in disadvantaged areas. By doing so, the Fund seeks to elevate the quality of services in these regions to a level comparable with the rest of the country, thereby promoting equity, inclusivity, and balanced development in line with the principles of Article 201 of the Constitution.

In line with Article 216(4), allocations from the Fund are made in accordance with a policy framework developed by the Commission on Revenue Allocation (CRA). The Second Policy on Marginalisation, which is currently in force, identifies 1,424 marginalised areas across 34 counties and distributes funds to each based on an allocation factor determined by the CRA. This framework ensures that the Equalisation Fund is applied in a transparent and equitable manner consistent with constitutional objectives.

The Equalisation Fund Appropriation Bill, 2025, seeks to allocate a total of Ksh. 16.8 billion to the identified areas. This amount comprises Ksh. 6.2 billion carried forward from the 2024/2025 financial year, and Ksh. 10.6 billion earmarked for FY 2025/2026.

I.0 PREFACE

I.1 Establishment and Mandate of the Committee

- I. 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.

I.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. Chumel, Samwel Moroto, M.P.
Kapenguria Constituency
UDA PARTY

Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.
Eldas Constituency
JUBILEE PARTY

Hon. Mulu, Makali, PhD, CBS, M.P.
Kitui Central Constituency
WDM – KENYA

Hon. Lekuton, Joseph, M.P.
Laisamis Constituency
UDM PARTY

Hon. Lesuuda, Josephine Naisula, OGW, M.P.
Samburu West Constituency
KANU PARTY

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

Hon. Robi, Mathias Nyamabe, M.P. Kuria West Constituency UDA PARTY	Hon. Ongili, Babu Owino Paul, M.P. Embakasi East Constituency ODM PARTY
Hon. Muchira, Michael Mwangi, M.P. Ol Jorok Constituency UDA PARTY	Hon. Mwirigi, John Paul, M.P. Igembe South Constituency UDA PARTY
Hon. Wangaya, Christopher Aseka, M.P. Khwisero Constituency ODM PARTY	Hon. Mwakuwona, Danson Mwashako, M.P. Wundanyi Constituency WDM – Kenya
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. 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. Busia, Ruth Adhiambo Odinga, M.P. Kisumu County ODM PARTY	Sergon, Flowrence Jematiah, M.P. Baringo County UDA PARTY
Hon. Mokaya, Nyakundi Japheth, M.P. Kitutu Chache North Constituency UDA PARTY	Hon. Mutuse, Eckomas Mwengi, OGW, M.P. Kibwezi West Constituency MCC PARTY
Hon. Abdirahman Mohamed Abdi, M.P. Lafey Constituency JUBILEE PARTY	Hon. Kagiri, Jane Wangechi, OGW, M.P. Laikipia County UDA PARTY
Hon. (Dr.) Mugo, Edwin Gichuki Mathioya Constituency UDA PARTY	

1.3 Committee Secretariat

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 Assistant	Fiscal Analyst/ Clerk Assistant

FA. Loice Olesia
Fiscal Analyst

Mr. Moses Mwariri
Legal Counsel

Ms. Fridah Ngari
Media Relations

Mr. Simon Ouko
Serjeant-at-arms

Mr. Nimrod Ochieng
Audio Officer

Mr. Jared Amara
Office Assistant

I.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

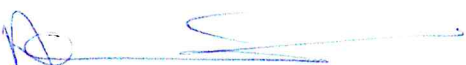
Mr. Kioko Kiminza
Fiscal Analyst II

Mr. Onyango Adera
Fiscal Analyst II

I.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


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


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DATE

2.0 Background of the Bill

1. The Equalisation Fund Appropriation Bill, 2025 (Senate Bill No. 7 of 2025) was published on 18th June 2025, considered and passed by the Senate on 22nd July 2025, and subsequently referred to the National Assembly. It was thereafter committed to the Budget and Appropriations Committee for consideration and reporting to the House. The Bill seeks to provide legal authority for the appropriation of monies from the Equalisation Fund for utilisation in the designated beneficiary regions during the FY 2025/2026.
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 safeguard the efficient and purposeful utilisation of the Fund, Article 204(5) of the Constitution and Section 18(6) of the Public Finance Management Act, Cap. 412A provide that any unspent balances in the Fund shall not lapse at the end of the financial year. Instead, such balances are carried forward and remain available exclusively for the original objectives of the Fund.
5. Pursuant to Article 204(3) of the Constitution, monies from the Equalisation Fund may only be expended once Parliament has enacted an Appropriation Bill. This legislative requirement promotes transparency and accountability in the disbursement of the funds. Further, the Constitution empowers the national government to either utilise the Fund directly or transfer it indirectly through conditional grants to county governments hosting 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. The Commission on Revenue Allocation (CRA), in its Second Policy on Marginalisation, identified 1,424 marginalised sub-locations distributed across 34 counties and 107 constituencies. The identification was based on indicators of deprivation in access to basic services such as water, health, education, roads, and electricity. Each of the identified areas was assigned a specific allocation factor, which serves as the basis for determining the share of resources under the Equalisation Fund.
8. This policy framework is intended to ensure that resources are allocated equitably and in a manner that targets the most underserved communities. By directing funds to historically marginalised areas, the Equalisation Fund seeks to reduce regional disparities and uplift the quality of basic services to levels comparable with the rest of the country, thereby advancing the constitutional principles of equity, inclusivity, and balanced development.

3.0 Highlights of Equalisation Fund Appropriation Bill, 2025.

9. The Equalisation Fund Appropriation Bill, 2025, provides for a total allocation of Ksh. 16.8 billion to 1,424 marginalised areas in the 2025/2026 financial year. This amount comprises Ksh. 6.2 billion carried forward from the 2024/2025 financial year and Ksh. 10.6 billion for FY 2025/26.
10. The Bill proposes an allocation of Ksh. 504 million to cater for Board expenses, including administrative and oversight functions necessary for the management of the Fund. This provision is in line with Regulation 10(3) of the Public Finance Management (Equalisation Fund Administration) Regulations, 2021, which caps administrative expenses at a maximum of three per cent of the approved annual allocation. This complies with the legal ceiling and is therefore reasonable, as it

preserves the bulk of the Fund for financing development projects in marginalised areas while still ensuring adequate resources for effective governance and oversight.

11. The remaining Ksh. 16.296 billion will be channelled to marginalised areas, with allocations determined by the formula set out in the Second Policy on Marginalisation. The Bill further specifies the amounts to be disbursed to each county and its constituencies, with the full breakdown provided in the First Schedule of this Report.

12. Eight counties account for over 60 per cent of the total allocation to the Equalisation fund. Turkana receives the largest share at Ksh. 1.86 billion, followed by West Pokot at 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 concentration of resources corresponds to the high number of marginalised areas within these counties and reflects their continued prioritisation in efforts to reduce regional disparities in access to basic services.

4.0 Submissions by the National Treasury

13. The National Treasury submitted that the utilization of the Equalization Fund has been guided by the marginalization policies developed by the Commission on Revenue Allocation (CRA). The First Marginalization Policy (2015) identified 14 counties for support, while the Second Policy (2018) expanded coverage to 1,424 sub-locations across 34 counties.

14. Under the first policy, 360 projects were appropriated, out of which 285 were completed by June 30, 2025, with a total of KSh.10.7 billion disbursed to implementing MDAs. Under the second policy, 1,595 projects were proposed by county technical committees, of which 1,556 valued at KSh. 9.76 billion were approved, with KSh. 2.85 billion disbursed to 15 counties. Despite this progress, implementation has faced challenges, including delays caused by legal disputes, stalled and deteriorating projects, and pending bills.

5.0 Submissions by the Council of Governors

- 15.** The Council of Governors expressed support for the Equalization Fund Appropriation Bill, 2025, which seeks to allocate KSh. 16.8 billion for public services in line with Article 204 of the Constitution, but raised concerns over inefficiencies that have undermined the Fund's objectives.
- 16.** The Council highlighted challenges including lack of recurrent expenditure provisions for County Technical Committees, delayed disbursements, low absorption rates due to administrative bottlenecks, the absence of a third marginalization policy by CRA, and revisions of allocations through supplementary budgets. It was noted that only KSh. 15.93 billion has been transferred to the Fund out of the KSh. 80.09 billion entitlement since inception, leaving a balance of KSh. 64.16 billion.
- 17.** To address these challenges, the Council recommended that up to 3% of each county's allocation be set aside for administrative costs, CRA urgently develop a third marginalization policy, the Equalization Fund be ring-fenced against national budget revisions, and the Equalization Fund Advisory Board's role in pre-approving withdrawals be removed to streamline implementation.

6.0 Submissions by the IBEC

- 18.** The Intergovernmental Budget and Economic Council (IBEC) noted that an allocation of KSh. 16.8 billion for FY 2025/26 is inconsistent with IBEC's resolution that the National Treasury should begin clearing arrears owed to the Equalization Fund by disbursing KSh. 10 billion annually from FY 2024/25 until the outstanding KSh. 49 billion is fully settled. IBEC emphasized that the Bill, in its current form, does not provide for both arrears and current allocations as recommended by the Commission on Revenue Allocation (CRA).

7.0 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:

Committee Observations

19. The Committee observed that while the Senate Bill mirrors the National Assembly Bill in proposing the appropriation of Ksh. 16.8 billion, including Ksh. 10.6 billion for FY 2025/26, the enactment of the Division of Revenue Act, 2025, by Parliament has since revised the actual allocation for FY 2025/26 to Ksh. 9.59 billion.
20. The Committee observed inconsistencies in the commencement dates under Clauses 1 and 3, creating ambiguity as to whether the Act was intended to operate retrospectively. It further noted that the Bill lacked clear definitions of key terms, including “Board” and “Equalisation Fund,” and erroneously assigned the role of fund management to the Secretariat instead of the Equalisation Fund Advisory Board, contrary to the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. The Committee cautioned that such gaps and inconsistencies could undermine the proper interpretation and effective implementation of the Act.
21. The Committee observed that although Clause 4 excluded the Equalisation Fund from being paid into the County Revenue Fund, it failed to establish a clear framework for managing the funds at the county level. In particular, the absence of a legal requirement for counties to open dedicated special-purpose accounts at the Central Bank of Kenya poses risks of diversion or absorption of allocations into general county accounts. This gap undermines the objective of financing basic services in marginalised areas and runs contrary to the principles of accountability and prudent use of public resources under Article 201 of the Constitution.

Committee Recommendations

22. The Committee, having reviewed, scrutinized, and examined the Equalization Fund Appropriation Bill, 2025, recommends that the House approve the Bill with the following amendments.
 - i. **THAT**, Clause 1 of the Bill be amended by deleting the words “*the date of publication in the Gazette*” and substituting therefor the words “*1st July, 2025*”, since the commencement date in Clause 1 conflicts with Clause 3, which deems the amount appropriated as of 1st July, 2025, the amendment harmonises the commencement provisions and aligns them with the standard

practice for Appropriation Acts, which ordinarily take effect on 1st July of the relevant financial year.

- ii. **THAT**, the Bill be amended by inserting the following new clause immediately after Clause 1 Interpretation 1A. In this Act, unless the context otherwise requires “Board” means the Equalisation Fund Advisory Board established under regulation 4 of the Public Finance Management (Equalisation Fund Administration) Regulations; and “Equalisation Fund” means the Equalisation Fund established under Article 204(1) of the Constitution to provide clear definitions of key terms, ensure consistency with existing legal and regulatory frameworks, and enhance the effective interpretation and implementation of the Act.
- iii. **THAT**, Clause 3 of the Bill be amended by deleting the words “is deemed to have been appropriated on 1st July 2025 for” and substituting therefor the words “shall be applied towards”. The Clause provides for the appropriation of the money granted. The proposed deletion is a consequential amendment arising from the change to Clause 1.
- iv. **THAT**, Clause 4 of the Bill be amended by inserting the following new subsection immediately after the existing provision “(2) A county to which funds are to be transferred shall open a special purpose account at the Central Bank of Kenya into which shall be paid that county’s allocation of the Equalisation Fund for the respective year.” This amendment ensures compliance with Article 201 of the Constitution on transparency and accountability in public financial matters. Excluding the Fund from being paid into the County Revenue Fund without specifying an alternative account would defeat the Fund’s purpose.

SIGNED




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

05.09.2025.

DATE

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 23 SEP 2025	
DAY: Tuesday	
TABLED BY:	Hon. Samuel Atzand, MP Chairperson
CLERK-AT THE-TABLE:	A. Shibusko

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		
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%	
	Total For Busia County	29,239,974		
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%	
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		
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%	
4	Suba South	53,529,213	25.0%	
	Total for Homabay	214,023,965		
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%	

SN	CONSTITUENCY	AMOUNT(Ksh)	Constituency % benefit	County overall Benefit
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%	
	Total for Kericho	99,011,445		
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%	
	Total for Kilifi County	878,031,954		
1	Muhoroni	20,167,972	51.0%	0.2%
2	Nyando	19,405,318	49.0%	
	Total for Kisumu County	39,573,290		
1	Kitui East	215,946,897	33.4%	4.0%
2	Kitui South	149,954,477	23.2%	
3	Mwingi Central	95,410,021	14.8%	
4	Mwingi North	185,098,505	28.6%	
	Total for Kitui County	646,409,900		
1	Kinango	265,266,845	55.7%	2.9%
2	Lunga Lunga	130,555,678	27.4%	
3	Matuga	59,410,452	12.5%	
4	Msambweni	20,601,446	4.3%	
	Total for Kwale	475,834,421		
1	Laikipia North	182,140,774	93.9%	1.2%
2	Laikipia West	11,879,809	6.1%	
	Total for Laikipia	194,020,583		
1	Lamu East	41,721,107	44.5%	0.6%
2	Lamu West	51,976,201	55.5%	
	Total for Lamu	93,697,308		
1	Masinga	21,016,995	100%	0.1%
	Total for Machakos County	21,016,995		

SN	CONSTITUENCY	AMOUNT(Ksh)	Constituency % benefit	County overall Benefit
1	Banissa	157,776,574	12.9%	7.5%
2	Lafey	247,689,943	20.2%	
3	Mandera East	209,045,527	17.1%	
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		
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		
1	Nandi Hills	20,159,824	10.6%	1.2%
2	Tinderet	169,700,382	89.4%	
	Total for Nandi County	189,860,206		
1	Emurua Dikirr	36,323,860	2.9%	7.7%
2	Kilgoris	350,053,482	27.9%	
3	Narok East	148,337,911	11.8%	
4	Narok North	246,547,591	19.6%	
5	Narok South	278,241,748	22.2%	
6	Narok West	195,448,116	15.6%	
	Total for Narok County	1,254,952,708		

SN	CONSTITUENCY	AMOUNT(Ksh)	Constituency % benefit	County overall Benefit
1	Samburu East	308,536,075	29.2%	6.5%
2	Samburu North	498,423,984	47.2%	
3	Samburu West	249,612,875	23.6%	
	Total for Samburu County	1,056,572,934		
	Bondo	20,563,966	39.5%	0.3%
	Gem	19,889,310	38.3%	
	Rarieda	11,544,111	22.2%	
	Total for Siaya County	51,997,387		
1	Taveta	10,305,612	47.5%	0.1%
2	Voi	11,381,150	52.5%	
	Total for Taita Taveta	21,686,762		
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		
1	Maara	18,450,370	25.8%	0.4%
2	Tharaka	53,115,294	74.2%	
	Total for Tharaka Nithi	71,565,664		
1	Endebess	12,161,730	100%	0.1%
	Total for Trans Nzoia County	12,161,730		
1	Loima	340,702,817	18.3%	11.4%
2	Turkana Central	210,644,168	11.3%	
3	Turkana East	190,727,155	10.3%	
4	Turkana North	516,114,959	27.7%	
5	Turkana South	185,266,354	10.0%	
6	Turkana West	417,158,921	22.4%	
	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%	
	Total for Wajir County	1,187,457,792		

SN	CONSTITUENCY	AMOUNT(Ksh)	Constituency % benefit	County overall Benefit
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%	
	Total for West Pokot County	1,661,556,686		
	Total allocation for development expenditure	16,296,000,000		100%
	Secretariat expense	504,000,000	3 % of the total allocation	
	Total Equalization Fund	16,800,000,000		

REPUBLIC OF KENYA

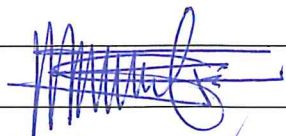

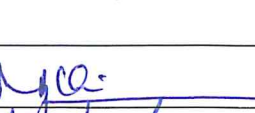




NATIONAL ASSEMBLY

THIRTEENTH PARLIAMENT- FOURTH SESSION
BUDGET AND APPROPRIATIONS COMMITTEE
ADOPTION SCHEDULE

We, the undersigned Members of the Budget and Appropriations Committee, today...05/09/2025.....do hereby affix our signatures to this **REPORT OF BUDGET AND APPROPRIATIONS COMMITTEE ON THE EQUALISATION FUND APPROPRIATION BILL (SENATE BILL NO. 7 OF 2025)** to affirm our approval and confirm accuracy, validity and authenticity: -

No	NAME	SIGNATURE
1.	Hon. Atandi, Samuel Onunga, M.P. -Chairperson	
2.	Hon. (Dr.) Pukose Robert, CBS, M.P.- Vice Chairperson	
3.	Hon. Chumel, Samwel Moroto, M.P.	
4.	Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.	
5.	Hon. Mulu, Makali, PhD.CBS, M.P.	
6.	Hon. Lekuton, Joseph, M.P. CBS	
7.	Hon. Lesuuda, Josephine Naisula, OGW, M.P.	
8.	Hon. Robi, Mathias Nyamabe, M.P.	
9.	Hon. Ochieng, David Ouma, M.P.	
10.	Hon. Muchira, Michael Mwangi, M.P.	
11.	Hon. Mwakuwona, Danson Mwashako, M.P.	
12.	Hon. Mwirigi, John Paul, M.P.	
13.	Hon. Wangaya, Christopher Aseka, M.P.	
14.	Hon. (Dr.) Masara, Peter Francis, M.P.	
15.	Hon. (Dr.) Ongili, Babu Owino Paul, M.P.	
16.	Hon. Wanjiku, John Njuguna, M.P.	
17.	Hon. Serгон, Flowrence Jematiah, M.P.	
18.	Hon. Guyo, Ali Wario, M.P.	
19.	Hon. (Dr.) Gogo, Lilian Achieng, M.P.	

20.	Hon. Murumba, John Chikati, PhD., M.P.	
21.	Hon. Busia, Ruth Adhiambo Odinga, M.P.	
22.	Hon. Kitilai, Ole Ntutu, M.P.	
23.	Hon. Mokaya, Nyakundi Japheth, M.P.	
24.	Hon. Abdirahman Mohamed Abdi, M.P.	
25.	Hon. Mutuse, Eckomas Mwengi, OGW, M.P.	
26.	Hon. Kagiri, Jane Wangechi, OGW, M.P.	
27.	Hon. (Dr.) Mugo, Edwin Gichuki, M.P.	

MINUTES OF THE 33RD SITTING OF THE SELECT COMMITTEE ON BUDGET & APPROPRIATIONS HELD ON FRIDAY, 5TH SEPTEMBER 2025 FROM 3.00 P.M. AT MAIN CONFERENCE ROOM ENGLISH POINT MARINA HOTEL, MOMBASA COUNTY.

PRESENT:

1. **Hon. Atandi, Samuel Onunga, M.P. -Chairperson**
2. **Hon. (Dr.) Pukose Robert, CBS, M.P.- Vice Chairperson**
3. Hon. Chumel, Samwel Moroto, CBS, M.P.
4. Hon. (Dr.) Adan Wehliye Keynan, CBS, M.P.
5. Hon. Lekuton, Joseph, M.P.
6. Hon. Muchira, Michael Mwangi, M.P.
7. Hon. Mwakuwona, Danson Mwashako, M.P.
8. Hon. Mwirigi, John Paul, M.P.
9. Hon. (Dr.) Gogo, Lilian Achieng, M.P.
10. Hon. (Dr.) Masara, Peter Francis, M.P.
11. Hon. Wanjiku, John Njuguna, M.P.
12. Hon. Sergon, Flowrence Jematiah, M.P.
13. Hon. Kitilai, Ole Ntutu, M.P.
14. Hon. Guyo, Ali Wario, M.P.
15. Hon. Murumba, John Chikati, PhD, M.P.
16. Hon. Abdirahman Mohamed Abdi, M.P.
17. Hon. Mutuse, Eckomas Mwengi, OGW, M.P.

APOLOGIES:

1. Hon. Mulu, Makali, PhD, CBS, M.P.
2. Hon. Lesuuda, Josephine Naisula, OGW, M.P.
3. Hon. Robi, Mathias Nyamabe, M.P.
4. Hon. Ochieng, David Ouma, M.P.
5. Hon. Busia, Ruth Adhiambo Odinga, M.P.
6. Hon. Wangaya, Christopher Aseka, M.P.
7. Hon. (Dr.) Ongili, Babu Owino Paul, M.P.
8. Hon. Mokaya, Nyakundi Japheth, M.P.
9. Hon. Kagiri, Jane Wangechi, OGW, M.P.
10. Hon. (Dr.) Edwin Mugo, M.P.

PARLIAMENTARY BUDGET OFFICE

- | | |
|----------------------------------|-----------------------|
| 1. FA. (Dr.) Martin Masinde, OGW | Director, PBO |
| 2. Dr. Abel Nyagwachi | Senior Fiscal Analyst |
| 3. Ms. Julie Mwithiga | Senior Fiscal Analyst |
| 4. Mr. Benard Adera | Fiscal Analyst II |
| 5. Mr. Michael Kiminza | Fiscal Analyst II |

COMMITTEE SECRETARIAT

1. Mr. Danson Kachumbo	Senior Fiscal Analyst
2. Ms. Sylvia Ocharo	Senior Research and Policy Analyst
3. Mr. Mosses Mwariri	Legal Counsel
4. Ms. Loice Olesia	Fiscal Analyst II
5. Ms. Fridah Ngari	Media Relations Officer III
6. Mr. Simon Ouko	Sergeant at Arms
7. Mr. Jared Amara	Office Assistant

AGENDA

1. Preliminaries.
2. Adoption of Committee Reports on:-
 - i. ***The County Governments' Additional Allocations (No. 2) Bill (Senate Bill No. 8 of 2025); and***
 - ii. ***The Equalization Fund Bill (Senate Bill No. 7 of 2025)***
3. Any Other Business (A.O.B).

MIN. NO.NA/BAC/2025/131: PRELIMINARIES

The Chairperson welcomed the committee members to the meeting and called the meeting to order at 3.00 p.m. A prayer was said by Hon. Sergon, Flowrence Jematiah, M.P.

MIN.NO.NA/BAC/2025/132: ADOPTION OF COMMITTEE REPORTS ON THE COUNTY GOVERNMENTS' ADDITIONAL ALLOCATIONS (NO. 2) BILL (SENATE BILL NO. 8 OF 2025)

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. (Dr.) Pukose Robert, CBS, M.P. and seconded by Hon. Kitilai, Ole Ntutu, M.P. After deliberation the report was **ADOPTED** with the following observations and recommendations as follows:

Committee Observations

1. The Bill allocates Ksh. 2.93 billion to ten specific counties, equivalent to the 20% share of mineral royalties accumulated since 2016. Previously, these funds could not be disbursed due to the lack of transfer frameworks and were held in the Consolidated Fund. To

facilitate the withdrawal from the Consolidated Fund, and disbursement of these funds to the beneficiary counties, the allocation has been included in the budget.

2. While the Bill allocates Ksh 454 million for County Headquarters construction, the FY 2025/26 budget designates Ksh. 449 million as a direct conditional transfer for the construction works and Ksh. 5 million for operational expenses of the state department.
3. The allocation of Ksh. 4.5 billion to eighteen counties under the CAIPs Programme demonstrates a possible misalignment with implementation progress. While certain counties have achieved significant milestones in project execution, they have not been prioritised for funding in FY 2025/26. Conversely, some counties still at the initial stages of implementation are being considered for funding.
4. The Bill provides for an allocation of Ksh. 23.64 billion from the Road Maintenance Levy Fund (RMLF) to support county road maintenance. On 25th July 2025, the Court of Appeal issued stay orders on the implementation of the High Court judgement, which had previously invalidated the legislation regarding the establishment and distribution of the RMLF. The Court of Appeal granted Parliament a 12-month period to align road funding and classification laws with the devolved system of governance, thereby preserving the status quo.
5. The Bill provides for allocations from the proceeds of loans and grants from development partners totalling Ksh. 56.91 billion. Nonetheless, donor-funded projects have historically faced implementation delays attributed to late or insufficient disbursements. These setbacks arise from missed implementation deadlines, unmet conditions, and the impact of currency fluctuations.

Recommendation

Having deliberated on the provisions of the Bill, the Committee recommends that the House approve the County Governments Additional Allocations Bill, 2025 (Senate Bill No.8 of 2025) and the Schedules contained in the Bill, with the following amendments:

1. **Construction of county Headquarters** - Amending the second schedule to reflect the actual transfers to counties of Ksh. 449,000,000, netting out the Ksh. 5,000,000 for operation expenses;
2. **County Aggregation of Industrial Parks (CAIPs)**-Amending the second schedule to prioritize counties with outstanding balances from the National government and sharing

the balance among counties that have made significant progress in terms of implementation of the projects.

3. **Road Maintenance Levy Fund**- Deletion of the third schedule that contains allocation to counties from the Road Maintenance Levy Fund.
4. **Kenya Informal Settlement Improvement Project** – Amending the allocation in the fourth schedule by reducing the funds to be sent to the counties under the World Bank (IDA) from KSh. 800,000,000 to KSh. 167,500,000 while increasing the allocation of AFD Funds from KSh. 1,000,000,000 to KSh. 2,500,000,000.
5. **Kenya Devolution Support Programme II (KDSP II)**-Amending the fourth schedule to increase the allocation for level one grants to KSh. 3,426,746,500 and reduce level two grants to KSh. 11,378,253,500.
6. **Schedules to the Bill** – that the First, Second, and Third Schedules to this report be the Schedules to the Bill.

MIN.NO.NA/BAC/2025/133: ADOPTION OF COMMITTEE REPORTS ON THE EQUALIZATION FUND BILL (SENATE BILL NO. 7 OF 2025)

The Parliamentary Budget office took members through the draft report. The report was proposed by Hon. (Dr.) Masara, Peter Francis, M.P. and seconded by Hon. Guyo, Ali Wario, M.P. After deliberation the report was **ADOPTED** with the following observations and recommendations as follows:

Committee Observations

1. The Committee observed that while the Senate Bill mirrors the National Assembly Bill in proposing the appropriation of Ksh. 16.8 billion, including Ksh. 10.6 billion for FY 2025/26, the enactment of the Division of Revenue Act, 2025, by Parliament has since revised the actual allocation for FY 2025/26 to Ksh. 9.59 billion.
2. The Committee observed inconsistencies in the commencement dates under Clauses 1 and 3, creating ambiguity as to whether the Act was intended to operate retrospectively. It further noted that the Bill lacked clear definitions of key terms, including “Board” and “Equalisation Fund,” and erroneously assigned the role of fund management to the

Secretariat instead of the Equalisation Fund Advisory Board, contrary to the Public Finance Management (Equalisation Fund Administration) Regulations, 2021. The Committee cautioned that such gaps and inconsistencies could undermine the proper interpretation and effective implementation of the Act.

3. The Committee observed that although Clause 4 excluded the Equalisation Fund from being paid into the County Revenue Fund, it failed to establish a clear framework for managing the funds at the county level. In particular, the absence of a legal requirement for counties to open dedicated special-purpose accounts at the Central Bank of Kenya poses risks of diversion or absorption of allocations into general county accounts. This gap undermines the objective of financing basic services in marginalised areas and runs contrary to the principles of accountability and prudent use of public resources under Article 201 of the Constitution.

Committee Recommendations

The Committee, having reviewed, scrutinized, and examined the Equalization Fund Appropriation Bill, 2025, recommends that the House approve the Bill with the following amendments:-

- i. **THAT**, Clause 1 of the Bill be amended by deleting the words “the date of publication in the Gazette” and substituting therefor the words “1st July, 2025”, since the commencement date in Clause 1 conflicts with Clause 3, which deems the amount appropriated as of 1st July, 2025, the amendment harmonises the commencement provisions and aligns them with the standard practice for Appropriation Acts, which ordinarily take effect on 1st July of the relevant financial year.
- ii. **THAT**, the Bill be amended by inserting the following new clause immediately after Clause 1 Interpretation 1A. In this Act, unless the context otherwise requires “Board” means the Equalisation Fund Advisory Board established under regulation 4 of the Public Finance Management (Equalisation Fund Administration) Regulations; and “Equalisation Fund” means the Equalisation Fund established under Article 204(1) of the Constitution to provide clear definitions of key terms, ensure consistency with existing legal and regulatory frameworks, and enhance the effective interpretation and implementation of the Act.

- iii. **THAT**, Clause 3 of the Bill be amended by deleting the words “is deemed to have been appropriated on 1st July 2025 for” and substituting therefor the words “shall be applied towards”. The Clause provides for the appropriation of the money granted. The proposed deletion is a consequential amendment arising from the change to Clause 1.
- iv. **THAT**, Clause 4 of the Bill be amended by inserting the following new subsection immediately after the existing provision “(2) A county to which funds are to be transferred shall open a special purpose account at the Central Bank of Kenya into which shall be paid that county’s allocation of the Equalisation Fund for the respective year.” This amendment ensures compliance with Article 201 of the Constitution on transparency and accountability in public financial matters. Excluding the Fund from being paid into the County Revenue Fund without specifying an alternative account would defeat the Fund’s purpose.

MIN.NO.NA/BAC/2025/134: ANY OTHER BUSINESS & ADJOURNMENT

There being no other business, the meeting was adjourned at 4.00 p.m. The next meeting will be communicated on notice.

SIGNED



HON. ATANDI SAMUEL ONUNGA, M.P.

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

05. 09. 2025

DATE