



## COUNCIL OF GOVERNORS

2<sup>ND</sup> JULY 2018

### **PRESS STATEMENT ON THE UNDERUTILIZATION OF THE EQUALIZATION FUNDS**

The Council would like to set the record straight with regards to publication in the local dailies stating that “Sh11bn development cash lies idle as poor counties fail to use fund”.

The Council would like to state as follows:

1. The money being referred in the newspaper article is equalization fund established under Article 204(1) of the Constitution of Kenya 2010 for provision of basic services to marginalized areas to provide water, roads, health facilities and electricity.
2. The Fund is being managed by the National Government as per the provision of the Article 204(2) of the constitution and Gazette Notice No. 1711 published on 13<sup>th</sup> March 2015 Vol. CXVII- 26 establishing the equalization board and secretariat under National Treasury.
3. Since the advent of devolution the cumulative amount of Kshs.12.4 billion from FY FY2014/15 to FY16/17 had not been disbursed to the Equalization Fund secretariat till the beginning FY2016/17. Previously the amount was being budgeted for but no disbursements were made.
4. The Current situation of low absorption is as a result of the Equalization Fund Secretariat failure to complete projects identified in the 14 Counties. The Secretariat through the Equalization Fund Appropriation Act 2017 were given the authority to utilize the funds as provided for in the lapsed three year Equalization Fund Policy prepared by Commission on Revenue Allocation in 2013.
5. It is worth noting that County Governments at the moment are not represented in the Equalization Board or administration of the fund and

cannot spend the resources as the powers have been given the Equalization secretariat.

6. However for proper implementation and utilization of the funds, Counties had proposed that the funds be transferred to County Governments as conditional grants as proposed under Article 204(3) (b) of the Constitution. This would have resulted to proper absorption of the resources for basic service provision.
7. The proposal to Parliament and National Treasury included joint administration of the fund where at the Board level, at least two (2) Governors would be representing the fourteen (14) participating Counties who will receive recommendations of projects from each participating County. These recommendations would have been provided by a technical committee in each County spearheaded by a County Commissioner and a County Secretary.
8. This would have ensured proper participation of Citizens and institutionalization of the projects in each County Government thus improving efficiency for the absorption of the fund.

On another issue on disbursements, the Council would also like to thank the National Treasury for disbursing all amounts due to County Governments for the FY2017/18.

The Council would like to urge media to get facts on any issues first to ensure that members of the public are accurately informed so that they are not emotive especially on critical issues such as utilization of funds by any level of Government.

**H.E Josphat Nanok,**  
**Chairman - Council of Governors**