

Government Spending: How Much Money is Tied up in State Corporations?

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Key Points

- State corporation budgets are opaque. It requires time-consuming research to determine how much they get from the budget each year.
- State corporations were allocated Ksh 352 billion in the 2012/13 financial year (FY 2012/13). This is more than 30 percent of Kenya's total budget for all Ministries, Departments and Agencies (MDAs). Furthermore, state corporations accounted for roughly half of all development expenditure in FY 2012/13.
- In FY 2012/13, almost 40 percent of the budgets of state corporations were funded by external sources in the form of loans and grants.
- A number of state corporations perform devolved functions and should be reformed in some way. In FY 2012/13, State corporations controlled roughly Ksh 117 billion in funds related to both devolved and concurrent functions, but 45 billion of this was externally financed and cannot be devolved.
- Additional funds from internally generated revenues of nearly 30 billion (Appropriations in Aid) could plausibly be devolved, but most of this funding is for roads, over 40 percent of it for national roads. The road funds that should be devolved might be devolved through conditional grants rather than given to counties outright for their use.
- While some of the remaining Ksh 42 billion should be considered for devolution to counties, many state corporations, such as water service boards, perform regional functions and should not simply be dissolved. It may make more sense to restructure these corporations to give counties managerial control than to dissolve them and redirect their funding to county budgets.
- In general, slashing state corporation budgets without well-conceived policy reform may actually undermine services and lead to a lack of clarity about who is responsible for delivering them.
- There has been little reform of state corporations since 2012/13. The 2014/15 budget shows that those corporations performing potentially devolved functions have actually increased their budgets by a small amount since devolution began.

Background

The 2012/13 budget is the last budget prior to devolution and remains the basic template for determining the division of revenue between national and county governments.¹ This division is still based on 2012/13 priorities, 2012/13 estimated costs of ongoing services, and the 2012/13 relative share of the budget going to ministries versus other spending, such as debt repayment. Finally, the 2012/13 budget is also the basis for understanding revenue sources that cannot be shared with counties because they are in the form of donor funds or resources generated internally by state agencies.²

In this brief, we continue to look at the 2012/13 budget in order to understand how much public funding is tied up in state corporations. State corporations are an important part of the Kenyan budget and another area where it is not easy to redistribute funds to counties. If state corporations are performing county functions, they need to be reformed to align with the 2010 constitution. This requires careful analysis because some of these corporations perform regional functions that cannot be given to counties without some type of cooperative arrangement. For example, water service boards provide services to regions rather than single counties. Simply dissolving them will not address the regional issues that they were designed to confront.

In the absence of thoughtful reforms, it may not be possible to simply slash the budgets of state corporations without undermining services. Moreover, state corporation budgets in particular depend on the donor and internally generated funds.³ Without new agreements between donors and county governments, these funds cannot necessarily be devolved at all. Internally generated funds could be devolved but it may be preferable for them to remain with the institution rather than becoming part of the county share of national revenues.

How Much Money Goes to State Corporations?

There were 262 state corporations in Kenya in 2013 according to a report produced by the presidential taskforce set up to reform state corporations.⁴ The report also found that 51 state corporations do not receive funds from the government.⁵ However, it appears that the report only surveyed 188 corporations. Therefore, there is a lack of clarity as to whether the remaining 74 corporations receive public funds.

If we go by the report, at least 137 state corporations receive transfers from the national budget.⁶ However, in our review of the 2012/13 national budget, we identified 132 state corporations that were receiving transfers. The reason for this discrepancy is unclear, but it is possible that other corporations receive funds from the budget that are not properly marked as such in the budget books.

According to the 2012/13 budget books, Ksh 352 billion is allocated to state corporations in the national budget.⁷ This was 32 percent of the total budget for all Ministries, Departments and Agencies (MDAs) in 2012/13. Almost half of the development budget was given to state corporations: Ksh 224 billion of 453 billion. This is a substantial amount of the national budget that cannot be devolved without major policy reforms.

¹ For analysis of the 2012/13 budget, see <http://internationalbudget.org/understanding-the-national-budget/>

² John Kinuthia & Jason Lakin, "Sharing revenue: how much of Kenya's budget is already committed and cannot be shared?" Budget Brief 25, International Budget Partnership. <http://internationalbudget.org/wp-content/uploads/Budget-Brief-25.pdf>

³ See <http://internationalbudget.org/wp-content/uploads/Budget-Brief-25.pdf>

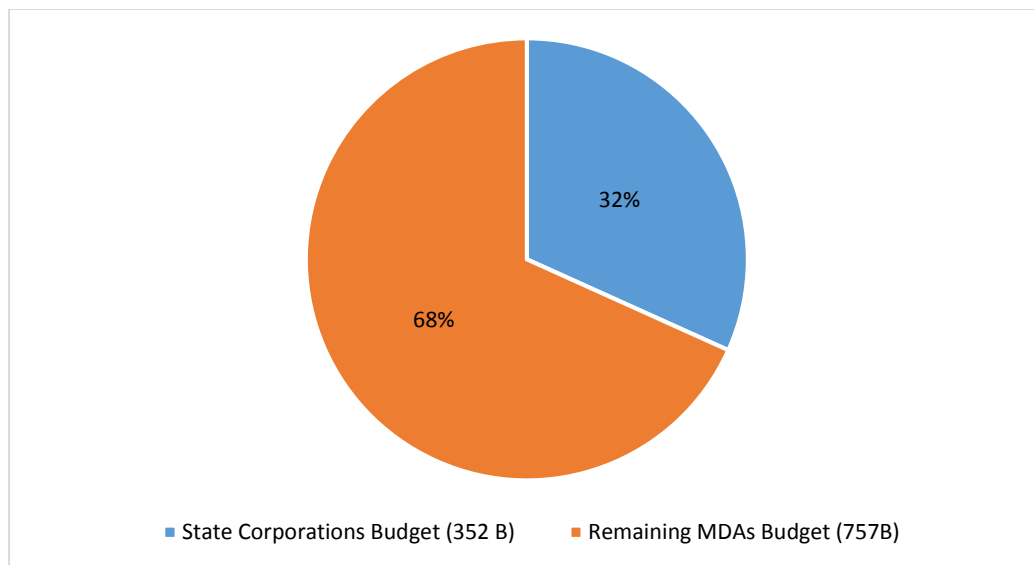
⁴ Report of the Presidential Task Force on Parastatal Reforms, October 2013. <http://www.scribd.com/doc/183513075/Report-of-the-Presidential-Task-force-on-Parastatal-Reforms>

⁵ Presidential Task Force Report, page 23.

⁶ An additional number of those missing from the survey also may receive transfers. If we assume that the ratio of those receiving transfers among the missing corporations is the same as those surveyed (137/188), then we would expect an additional 54 corporations to receive transfers, bringing our total to 191. So we expect the true number of state corporations receiving transfers to be between 137 and 191.

⁷ In 2011/12 and prior years, the National Treasury produced and tabled an Annex to the budget that contained information about state corporation budgets. This document included information about all sources of funding for state corporations, including various funding sources that are not part of the national budget. However, this document is no longer produced regularly. We are forced to rely exclusively on the budget estimates for information about State Corporation funding.

Figure 1: State Corporation Budgets as a Share of National Budget, 2012-13



Most funding for state corporations goes to infrastructure (58 percent) and education (16 percent), and almost 8 percent goes to water and irrigation. These three sectors alone account for over 80 percent of the funds (see Table 1 below).

State corporations have two main kinds of funding through the budget: revenues they raise themselves from their own operations (such as sales/fees and funds from foreign donors); and grants from the national budget.

In FY 2012/13, state corporations received 55 percent of their funding in the form of Appropriations in Aid (AiA). AiA included both local (generated in Kenya by the state corporations) and external sources (donors), plus other external funding. The other 45 percent came in the form of government grants. This is the amount that is funded directly through the budget from local revenues, and was equal to just over Ksh 158 billion in 2012/13.

Approximately 56 billion of AiA was locally generated much of it through the charges levied by institutions for the goods and services they provide. External AiA and other external funding constituted 137 billion (39 percent of their total budget).

Table 1: State Corporation Funding by Sector, 2012-13

Sectors	Total	Share of Total	Coded To Be Devolved	Government Transfers	Local AIA	External AIA + External Revenues
Infrastructure + Energy	204,081,229,092	58.0%	8,506,650,000	67,987,967,351	27,507,200,000	108,586,061,741
Water and Irrigation	26,282,792,723	7.5%		3,865,629,016	1,951,402,596	20,465,761,111
Health	16,435,681,752	4.7%		12,335,981,752	3,799,700,000	300,000,000
Education	56,270,975,039	16.0%		34,093,551,409	18,742,600,664	3,434,822,966
State Administration	14,631,994,010	4.2%		14,016,193,610	120,400,000	495,400,400
Regional Development	6,076,062,709	1.7%	2,546,470,428	4,169,020,234	326,000,000	1,581,042,475
Agriculture	6,606,376,165	1.9%		5,509,392,695	-	1,096,983,470
Gender, Youth and Culture	5,939,121,002	1.7%	1,472,150,000	5,224,327,605	25,000,000	689,793,397
Lands, Housing and Environment	8,431,431,399	2.4%	139,464,362	5,247,161,399	2,782,770,000	401,500,000
Security	979,728,000	0.3%	330,000,000	319,728,000	660,000,000	-
International Relations and Commerce	5,824,758,061	1.7%		5,439,660,973	385,097,088	-
Parliament, AG, Judiciary and Constitutional Commissions	158,560,000	0.0%		158,560,000	-	-
Total	351,718,709,952	100.0%	12,994,734,790	158,367,174,044	56,300,170,348	137,051,365,560
Proportion of the total			4%	45%	16%	39%

How Much Should Be Devolved?

State corporations control large funding streams. However, a large share of their budgets are financed in ways that would be difficult to devolve to counties. Both external and locally generated AIA would be difficult to devolve to counties. Furthermore, loans and grants from donors cannot be devolved without reform at the national level. As we saw, 39 percent of the budget for state corporations is funded in this way.

Locally generated AIA (which forms 16 percent of total state corporation budgets) is complicated. This is partly because it encompasses a number of different funding streams. It may be easier to devolve locally-generated AIA than external funds, but there are a number of challenges to consider.

In principle, fees generated by institutions to support their own running costs should stay with those institutions. For example, if a health facility collects user fees to cover costs, these funds should be devolved with the facility and not become a part of the equitable share. When a corporation is dissolved, funds can be redirected into the equitable share for counties. If the corporation is maintained but restructured, for example to provide regional services like water, locally generated AIA would probably continue to be used directly by the corporation, or would take the form of a conditional grant.

However, some local AIA comes from other sources. For example, revenue from the Road Maintenance Levy Fund is channeled through the Kenya Roads Board to other road authorities, such as Kenya Urban Roads Authority (KURA) and Kenya National Highways Authority (KENHA). These funds, which come from a dedicated tax on petroleum, are also considered AIA. If KURA were to be dissolved, and county roads fully devolved, this AIA would potentially pass to counties. However, it is not clear whether the funding should be given to counties as part of the equitable share, or as a conditional grant. These funds are currently provided from a dedicated revenue stream that by law must be spent on roads. To maintain this funding stream for

roads, it may be prudent to maintain part of the KRB funding as a conditional grant to counties (another part will continue to go to KENHA).

Taking all AIA and foreign funding together, this means that approximately half of the total funding for state corporations cannot, or should not, simply be devolved.

What funding should be devolved? Table 1 shows that in 2012/13 the national government believed some state corporation funding should be devolved. However, only 4 percent of total state corporation funding was designated to be devolved (about Ksh 13 billion). Of this, 96 percent was concentrated in three sectors: Infrastructure and energy; regional development and gender; and youth and culture.⁸

The task force recommended somewhat deeper reforms. Table 2 below includes the list of corporations the task force identified as conducting devolved functions. The total budget for these corporations was over Ksh 52 billion in FY 2012/13. However, 43 percent of this was funded externally and could not be devolved. Moreover, many of these bodies perform regional functions and their budgets should not simply be streamed into the equitable share. It may be more sensible to restructure these to give counties managerial control.

Table 2: State Corporations to be Partially/Fully Devolved According to Task Force 2013

State Corporations Performing Devolved Functions in the Parastatal Report	Expenditure Estimates 2012/13	Coded To Be Devolved 2012/13	Local AIA	External Funding	Local AIA+ External Funding	Total Exp - (Local AIA+ External Funding)
Athi Water Services Board	3,463,000,000	-	250,000,000	3,123,000,000	3,373,000,000	90,000,000
Coast Water Services Board	3,700,480,111	-	601,445,000	2,923,092,911	3,524,537,911	175,942,200
Lake Victoria North Water Service Board	881,676,634	-	35,000,000	674,276,634	709,276,634	172,400,000
Lake Victoria South Water Service Board	2,452,400,000	-	35,000,000	2,070,000,000	2,105,000,000	347,400,000
Northern Water Services Board	2,371,480,000	-	13,000,000	2,091,000,000	2,104,000,000	267,480,000
Rift Valley Water Services Board	506,000,000	-	100,000,000	270,000,000	370,000,000	136,000,000
Tana Water Services Board	3,433,960,000	-	84,250,000	3,085,600,000	3,169,850,000	264,110,000
Tanathi Water Services Board	3,391,672,549	-	42,820,239	3,033,000,000	3,075,820,239	315,852,310
Coast Development Authority	249,389,860	199,389,860	-	-	-	249,389,860
Ewaso Ng'iro North Development Authority	939,340,579	754,340,589	-	542,000,000	542,000,000	397,340,579
Ewaso Ng'iro South Development Authority	242,444,166	222,444,166	1,500,000	-	1,500,000	240,944,166
Kerio Valley Development Authority	569,986,104	569,986,104	75,000,000	200,000,000	275,000,000	294,986,104
Lake Basin Development Authority	421,661,127	271,661,127	21,500,000	-	21,500,000	400,161,127
Tana & Athi Rivers Development Authority	593,148,582	528,648,582	157,000,000	85,000,000	242,000,000	351,148,582
Kenya Rural Roads Authority	17,076,641,790	139,464,362	-	928,000,000	928,000,000	16,148,641,790
Kenya Urban Roads Authority	8,971,248,000	1,452,150,000	-	3,500,000,000	3,500,000,000	5,471,248,000
Rural Electrification Authority	2,415,000,000	330,000,000	-	-	-	2,415,000,000
Kenya National Library Service (KNLS)	788,000,000	20,000,000	25,000,000	-	25,000,000	763,000,000
Total	52,467,529,502	4,488,084,790	1,441,515,239	22,524,969,545	23,966,484,784	28,501,044,718

⁸ This calculation is based on correcting what we believe to be an error in the roads budget in 2012/13. The roads budget showed roughly Ksh 8.5 billion in devolved funds, but these did not appear as part of any state corporation. However, our calculations suggest that these were funds that should be have been classified as part of the Kenya Roads Board budget. This is based on our assessment of the size of the KRB from its own annual reports (see Kenya Roads Board, *Annual Report and Financial Statements For the Year Ended 30 June 2012*). This classification change is consequential and results in a much larger figure for devolved state corporation budgets, as it represents more than half of the total that was coded as devolved in 2012/13.

A handful of additional state corporations were slated for partial or full devolution in the 2012/13 budget but were not mentioned by the task force (see Table 3). AIA and external funding account for Ksh 28 billion of a total of Ksh 32.5 billion allocated to these state corporations. The bulk of the funding is from the Kenya Roads Board, more than 40 percent of which goes to national roads.

Table 3: Additional State Corporations to be Devolved According to Treasury, 2012/13 Budget

State Corporations Devolved in 2012/13 Budget But Not in the Parastatal Report	Expenditure Estimates 2012/13	Coded To Be Devolved 2012/13	Total Estimates - Funds Coded to be Devolved	Local AIA	External Funding	Total Exp - (Local AIA+ External Funding)
Kenya Forest Service	3,903,003,264	139,464,362	3,763,538,902	2,300,270,000	-	1,602,733,264
National AIDS Council	3,242,353,002	1,452,150,000	1,790,203,002	-	689,793,397	2,552,559,605
National Campaign Against Drug Abuse Authority	979,728,000	330,000,000	649,728,000	660,000,000	-	319,728,000
Kenya Roads Board	24,370,450,000	8,506,650,000	15,863,800,000	24,370,450,000	-	-
Total	32,495,534,266	10,428,264,362	22,067,269,904	27,330,720,000	689,793,397	4,475,020,869

Finally, we looked again at the state corporations that are funded from the budget to see if additional corporations should potentially be devolved beyond those marked for devolution by the treasury and the task force. It is not clear in which cases entire corporations should be dissolved, but we have marked in Table 4 additional corporations that we think perform at least some functions that should be devolved.

Table 4: Other State Corporations that could be Partially or Fully Devolved, 2012/13

Other state corporations performing functions that could potentially be partially or fully devolved	Expenditure Estimates 2012/13	Local AIA	External Funding	Local AIA+ External Funding	Total Exp - (Local AIA+ External Funding)	Related County Function as per the 4th Schedule of the Constitution
Kenya Electricity Transmission Company	23,768,200,000	-	18,172,200,000	18,172,200,000	5,596,000,000	Electricity and gas reticulation and energy regulation.
Kenya National Bureau of Statistics	1,647,748,475	71,000,000	549,188,475	620,188,475	1,027,560,000	County planning and development, including— (a) statistics
Water Services Trust Fund	1,190,071,566	-	852,791,566	852,791,566	337,280,000	County public works and services, including— (b) water and sanitation services.
National Irrigation Board	3,353,451,863	324,887,357	2,343,000,000	2,667,887,357	685,564,506	Implementation of specific national government policies on natural resources and environmental conservation, including— (a) soil and water conservation Agriculture, including— (b) crop and animal husbandry
National Museums of Kenya	728,208,000	-	-	-	728,208,000	Cultural activities, public entertainment and public amenities, including— (g) museums;
Kenya Medical Supplies Agency	390,181,532	-	-	-	390,181,532	County health services, including, in particular— (a) county health facilities and pharmacies
Pyrethrum Board of Kenya	200,000,000	-	-	-	200,000,000	Agriculture, including— (a) crop and animal husbandry
Coconut Development Authority	196,800,000	-	-	-	196,800,000	
Pesticide Control Products Board	119,620,977	-	-	-	119,620,977	Agriculture, including— (d) plant and animal disease control
Kenya Dairy Board	83,507,200	-	-	-	83,507,200	Agriculture, including— (a) crop and animal husbandry

Coffee Board of Kenya	28,800,000	-		-	28,800,000	
Tea Board of Kenya	9,600,000	-		-	9,600,000	
Total	31,716,189,613	395,887,357	21,917,180,041	22,313,067,398	9,403,122,215	
Proportion of Ext Revenue to Total Devolved SCs Budgets	69%					
Proportion of AIA+Ext Revenue to Total Devolved SCs Budgets	70%					

This constitutes an additional pool of almost Ksh 32 billion, of which roughly Ksh 22 billion is externally financed. Given that much of this money is in electricity, a shared function, there is little reason to expect even all of the remaining local funding to be devolved.

While we do not advocate devolving the full amount associated with our third list (after removing foreign funds), we believe these constitute an additional pool of funds that should be discussed. Agreement must be reached on what share of them are devolved.⁹

Taking all of this together, the total budgets of state corporations performing some devolved functions was roughly Ksh 117 billion in 2012/13 as shown in Table 5. Of this, roughly Ksh 45 billion was externally funded. Another Ksh 29 billion was in the form of local AIA, some of which might be devolved. Over 84 percent of the local AIA is actually in the roads sector, and over 40 percent of this (roughly 10 billion) goes to national roads. The rest might be given to counties as a conditional grant to protect funding for roads, as it is from a dedicated tax. Removing external funding and national roads leaves us with at most Ksh 62 billion that should be debated, with some share of this (but clearly not all) slated for devolution.

Table 5: Summary of State Corporations that Could Be Partially or Fully Devolved According to Various Analysts, 2012-13

State Corporations	Expenditure Estimate s 2012/13	Coded to be devolved	Local AIA	External Funding	Local AIA+ External Funding	Total Exp - (Local AIA+ External Funding)
State Corporations Performing Devolved Functions in the Parastatal Report	52,467,529,502	4,488,084,790	1,441,515,239	22,524,969,545	23,966,484,784	28,501,044,718
State Corporations Devolved in 2012/13 Budget But Not in Parastatal Report	32,495,534,266	10,428,264,362	27,330,720,000	689,793,397	28,020,513,397	4,475,020,869
Other state corporations performing functions that could potentially be partially or fully devolved	31,716,189,613	-	395,887,357	21,917,180,041	22,313,067,398	9,403,122,215
Total	116,679,253,381	14,916,349,152	29,168,122,596	45,131,942,983	74,300,065,579	42,379,187,802

There are still other state corporations that are not in the budget that should potentially be devolved. For example, the National Housing Corporation (NHC) provides housing services, which is now a county function. While NHC does not receive direct funding from the budget, it does benefit from implicit guarantees and access to government capital in the form of equity.¹⁰ We have not comprehensively evaluated the state corporations that do not receive direct budget support, but NHC is certainly not alone.

⁹ We do not think devolving KEMSA is a smart policy choice, for example, because bulk procurement of drugs at national level should be more cost effective. Nor do we believe that KETRACO should necessarily be devolved. The table is not intended to endorse devolving the listed SC budgets, but to foster debate about all state corporations that perform some devolved functions.

¹⁰ NHC had over 6 billion in government equity in 2010. See NHC Group Annual Accounts for year ending June 2010.

What Has Actually Happened to State Corporations Since Devolution?

The budget figures we have been examining are from 2012/13. Updated figures from 2014/15 may show that some devolution has already taken place.

As Table 6 below shows, on balance, state corporations performing potentially devolved functions controlled a slightly higher proportion of funding in 2014/15 than 2012/13 as a share of the total MDA budget (up from 10 to 11 percent of total MDA funding). Funding for some corporations has increased, while for others it has decreased; cumulatively there has been a small increase in the total funds for these corporations. Two agencies account for most of this increase: the National Irrigation Board (NIB); and the Rural Electrification Authority (REA). The NIB increase is probably related to a number of new national irrigation projects, including the flagship Galana project. The increase in the budget for REA is more difficult to explain with information that is publicly available. However, it comes as a particular surprise given that parliament had, at one point, appeared to devolve part of the 2013/14 REA budget through the division of revenue.

There has therefore been no substantial reform of the overall set of corporations performing potentially devolved functions. However, the share of these budgets that is externally financed has fallen (from 39 percent to 32 percent), making it somewhat easier to reform them in future.

Table 6: Comparison of Funds to Potentially Devolved State Corporations between 2012/13 and 2014/15

	2012/13		2014/15		2012/13		2014/15	
	Total Budget	Total Budget	Difference Between 12/13 and 14/15	Local AIA	External Funding	Local AIA	External Funding	
State Corporations								
1 Ewaso Ng'iro North Development Authority	939,340,589	284,912,471	(654,428,118)	-	542,000,000	1,500,000	-	
2 Ewaso Ng'iro South Development Authority	242,444,166	395,479,281	153,035,115	1,500,000	-	-	-	
3 Kerio Valley Development Authority	569,986,104	584,406,899	14,420,795	75,000,000	200,000,000	30,000,000	95,000,000	
4 Lake Basin Development Authority	421,661,127	336,821,717	(84,839,410)	21,500,000	-	21,500,000	-	
5 Tana & Athi Rivers Development Authority	593,148,582	542,208,409	(50,940,173)	157,000,000	85,000,000	157,000,000	-	
6 Coast Development Authority	249,389,860	191,942,460	(57,447,400)	-	-	-	-	
7 Kenya Forest Service	3,903,003,264	3,973,050,389	70,047,125	2,300,270,000	-	2,335,741,761	-	
8 National Campaign Against Drug Abuse Authority	979,728,000	555,026,800	(424,701,200)	660,000,000	-	330,000,000	-	
9 National AIDS Council	3,242,353,002	670,487,918	(2,571,865,084)	-	689,793,397	-	-	
10 Kenya National Library Service (KNLS)	788,000,000	1,067,400,000	279,400,000	25,000,000	-	-	-	
11 Kenya Rural Roads Authority	17,076,641,790	15,553,440,000	(1,523,201,790)	-	928,000,000	-	3,848,440,000	
12 Kenya Urban Roads Authority	8,971,248,000	8,008,300,000	(962,948,000)	-	3,500,000,000	-	3,010,300,000	
13 Rural Electrification Authority	2,415,000,000	13,945,000,000	11,530,000,000	-	-	2,743,000,000	1,448,000,000	
14 Athi Water Services Board	3,463,000,000	4,600,000,000	1,137,000,000	250,000,000	3,123,000,000	-	3,650,000,000	
15 Coast Water Services Board	3,700,480,111	2,770,945,000	(929,535,111)	601,445,000	2,923,092,911	630,945,000	940,000,000	
16 Lake Victoria North Water Service Board	881,676,634	2,222,227,277	1,340,550,643	35,000,000	674,276,634	35,000,000	200,000,000	
17 Lake Victoria South Water Service Board	2,452,400,000	2,201,000,000	(251,400,000)	35,000,000	2,070,000,000	35,000,000	1,750,000,000	
18 Northern Water Services Board	2,371,480,000	387,532,000	(1,983,948,000)	13,000,000	2,091,000,000	15,000,000	-	
19 Rift Valley Water Services Board	506,000,000	2,101,223,000	1,595,223,000	100,000,000	270,000,000	211,223,000	1,680,000,000	
20 Tana Water Services Board	3,399,272,549	886,949,000	(2,512,323,549)	84,250,000	3,085,600,000	84,250,000	540,000,000	
21 Tanathi Water Services Board	3,391,672,549	951,515,780	(2,440,156,769)	42,820,239	3,033,000,000	50,820,239	432,000,000	
22 Kenya Electricity Transmission Company	23,368,200,000	23,381,800,000	13,600,000	-	18,172,200,000	-	18,715,000,000	
23 Kenya Roads Board	24,370,450,000	22,842,747,812	(1,527,702,188)	24,370,450,000	-	22,842,747,812	-	
24 Kenya National Bureau of Statistics	1,647,748,475	847,380,000	(800,368,475)	71,000,000	549,188,475	71,000,000	12,900,000	
25 Water Services Trust Fund	1,190,071,566	1,353,500,000	163,428,434	-	852,791,566	-	926,500,000	
26 National Museums of Kenya	728,208,000	687,224,391	(40,983,609)	-	-	-	27,985,340	
27 Kenya Medical Supplies Agency	390,181,532	1,791,425,210	1,401,243,678	-	-	-	1,491,141,124	
28 Pyrethrum Board of Kenya	200,000,000	300,000,000	100,000,000	-	-	-	-	
29 Coconut Development Authority	196,800,000	34,836,844	(161,963,156)	-	-	-	-	
30 Pesticide Control Products Board	119,620,977	86,127,040	(33,493,937)	-	-	-	-	
31 Kenya Dairy Board	83,507,200	210,037,738	126,530,538	-	-	-	-	
32 Coffee Board of Kenya	28,800,000	10,720,000	(18,080,000)	-	-	-	-	
33 Tea Board of Kenya	9,600,000	49,439,904	39,839,904	-	-	-	-	
34 National Irrigation Board	3,353,451,863	11,425,600,000	8,072,148,137	324,887,357	2,343,000,000	400,000,000	1,400,000,000	
Total	116,244,565,940	125,250,707,340	9,006,141,400	29,168,122,596	45,131,942,983	29,994,727,812	40,167,266,464	
Total MDA Estimates	1,109,009,424,757	1,112,615,305,556	3,605,880,799					
Proportion of SCS Share of the Total MDA Estimates	10%	11%						
Proportion of Local AIA and External Funding to the Total SCS Estimates				25%	39%	24%	32%	

Conclusion

Further analysis of state corporation activities and budgets is clearly needed to know how much of the billions of Kenyan Shillings tied up in these budgets can be devolved. State corporation budgets are opaque – there is now less information about their resources provided in the national budget than there was a few

years ago. This should be corrected by the reintroduction of an “Annex on State Corporations” that accompanies the budget. Nevertheless, with considerable digging, we have established that these entities received over Ksh 350 billion from the national budget in FY 2012/13.

It bears repeating, however, that not all of these funds (even those for devolved functions) should simply be devolved to counties as part of the equitable share. Some of these funds should be refashioned as conditional grants. Some should be retained as they are, but with substantial reforms to bring counties on to their boards. Unfortunately, the constitution has little to say about regional cooperation. Yet roads, energy and water all depend on regional assets that require shared management across county lines. Simply devolving funds associated with these functions without clear policies on how to ensure regional cooperation is a recipe for conflict and service disruptions.