



REPUBLIC OF KENYA  
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Date: 28<sup>th</sup> October, 2021

**NATIONAL TREASURY CIRCULAR NO 15/2021**

**To: All Principal Secretaries/Accounting Officers**

**All Chief Executive Officers of State Corporations**

**Guidelines for the Preparation of the Annual Budget for State Corporations for  
Financial Year 2022/2023 and Medium-Term Projections for FYs 2023/2024 &  
2024/2025**

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**A. Introduction**

1. In accordance with the State Corporations Act, Cap. 446, Sections 11 and 12 and the Public Finance Management Act, 2012 (PFMA), Section 68, All State Corporations are required to prepare and submit their proposed budgets to the Parent Ministry and the National Treasury & Planning latest by end of January each year. The proposed budgets should indicate the projected revenue and expenditure proposed to be incurred in the succeeding financial year.
2. The purpose of this Circular is to provide guidelines for the preparation and submission of the Annual Budget for State Corporations for **Financial Year 2022/2023** and Medium-Term projections for **FYs 2023/2024 & 2024/2025**.
3. The calendar for the preparation and approval of the FY 2022/2023 Annual Budget has been aligned to the timelines for the National Budget. Given that 2022 will be a General Election year, preparation of the 2022/23 – 2024/25 Medium-Term Budget should be fast-tracked to ensure that the Budget Estimates are approved by Parliament before recess in readiness for the General Elections slated for August 2022. In this regard, State Corporations are required to submit their Annual Budgets for FY 2022/2023 and projections for FYs 2023/2024 & 2024/2025 to their Line Ministries and the National Treasury & Planning, not later than 15<sup>th</sup> December, 2021 for approval.
4. Cognizant of the Covid-19 realities, the National Treasury developed the Government Investment Management Information System (GIMIS) an end-to-end automated platform for preparation, submission, analysis and approval of State Corporations

budgets. Building on the success registered in its initial year of operation, GIMIS functionality has been improved to allow submission of other statutory returns besides the budget estimates. In view of the above, State Corporations are expected to submit their FY 2022/2023 budget estimates and revised budgets through GIMIS.

**A. General Guidelines**

5. The FY 2022/2023 and the Medium-Term Budget is being prepared on the background of strong but uneven economic recovery. The emergence of new COVID-19 variants could lead to reinstatement of containment measures thereby disrupting economic activities. Further, it is expected. that 2022 being an election year, heightened political activities especially in the fourth quarter of FY 2021/2022 which are likely to erode investor confidence and affect projected growth. The Government will however continue to monitor these developments and take appropriate measures to safeguard the economy and livelihoods.
6. In preparation of the FY 2022/2023 proposed budgets, State Corporations are therefore required to take into account the observed effects of COVID-19 Pandemic on revenue outturn and business operational environment, consider and implement measures that would improve financial performance and efficiency. In this regard, State Corporations will be required to develop and implement measures that will allow diversification and increase internally generated revenue, rationalize personnel, operational and administrative costs and leverage on ICT in delivery of services among other measures with a view to minimizing dependence on National Exchequer support.
7. Consequently, unnecessary expenditures not supportive of core mandate like travel, training, seminars, consultancies, legal expenses, overtime and all non-core activities must be brought down to the bare minimum.
8. In preparation of the Medium-Term Budget for FYs 2022/23-2024/22025 Medium Term Budget, State Corporations are required to undertake a Program Performance Review (PPR). This entails a detailed assessment of the progress achieved towards realization of the targeted outputs after the implementation of the FYs 2018/2019 – 2020/2021 Budgets. This should include but not limited to analysis of the previous budgetary allocations, actual expenditures and achievement of actual outputs.
9. Prioritization and allocation of budgetary resources should be in support of set objectives of the State Corporation Strategic Plan and planned activities in FY 2022/2023. In doing so, it is understood that the Strategic Plan under implementation by the respective State Corporation has already been aligned to the Vision 2030, the Medium-Term Plan III and the Big 4 Agenda. Experiences and lessons learned should form the basis for guiding expenditures allocations in the Medium-Term Budget.
10. State Corporations are expected to seek specific approval from the Line Ministry, the National Treasury & Planning and other relevant authorities prior to:
  - i. Initiating new capital projects/programmes;

