



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

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NAIROBI.

NATIONAL TREASURY CIRCULAR NO. 11/2022

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 2023/2024 and Medium-Term Projections for FYs 2024/2025 & 2025/2026

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 Line Ministry and the National Treasury & Economic Planning latest by end of January each year. The proposed budgets should indicate the projected revenue and expenditure for the succeeding financial year and medium-term projections.
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 2023/2024** and Medium-Term projections for **FYs 2024/2025 & 2025/2026**.
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 as per Treasury Circular No. 5/2022 dated August 24, 2022 on Guidelines for Preparation of the FY 2023/2024 and Medium-Term Budget. In this regard, State Corporations are required to submit their itemized Annual Budgets for FY 2023/2024 and projections for FYs 2024/2025 & 2025/2026 to their respective Line Ministries and the National Treasury & Economic Planning, not later than 31st January 2023 for approval.

4. As per the calendar for the preparation and approval of the FY 2022/2023 Annual Budget contained in Treasury Circular No. 5/2022, it is expected that, State Corporations whose operations are funded through the National Budget resource allocation, have confirmed their budgetary allocations from respective Sector Working Group through their Line Ministries. In this regard, the preparation and submission of the itemized Annual Budgets is **NOT** an additional resources bidding process.
5. The itemized annual budget should be within the budgetary allocation for the respective State Corporation and any other resources that may be received either from development partners, donors, or internally generated revenue by the State Corporation. In this regard, the National Treasury & Economic Planning will not approve a proposed budget with operating deficit.
6. In efforts to enhance service delivery and perform its mandate of financial and operational oversight of State Corporations as provided for in the Constitution, PFM Act and other relevant laws, the National Treasury (TNT) embarked on the design and development of the Government Investment Management Information System (GIMIS). GIMIS is an end-to-end automated platform for submission and reporting of statutory returns to TNT. The System also has capabilities for the preparation, submission, analysis/review and approval of State Corporations budgets. In this regard State Corporations are expected to submit their FY 2023/2024 budget estimates and revised budgets through GIMIS.

B. General Guidelines

7. The FY 2023/2024 and the Medium-Term Budget is being prepared on the background of strong but uneven economic recovery. The negative impacts of COVID-19 Pandemic, Ukraine-Russia war and resultant economic damage have largely contributed to the slowdown in economic activities, higher-than-expected inflation worldwide and weakening of the major global currencies. The Government will however continue to monitor these developments and take appropriate measures aimed at safeguarding livelihoods, creating jobs, reviving businesses and economic recovery.
8. Taking to account the many demanding needs for high priority areas on the shrinking National resources, and other economic shocks on the operational performance of State Corporations, there is urgent need for consideration and implementation of measures geared towards improving financial performance and efficiency. In this regard, in preparing the FY 2023/2024 proposed budgets, State Corporations will be required to develop and implement measures that will allow diversification and increase internally generated revenues, rationalize personnel emolument, operational & administrative costs and leverage on ICT in delivery of services among other measures with a view to minimizing dependence on the support of the National Exchequer.
9. State Corporations should harmonize their FY 2023/2024 and the Medium-Term Budget with priorities of the New Government Administration. Consequently, unnecessary expenditures not supportive of the core mandate like travel, training, seminars, consultancies, legal expenses, overtime and all non-core activities must be scaled down to the bare minimum.

