



REPUBLIC OF KENYA  
THE NATIONAL TREASURY AND PLANNING

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Date: January 14, 2021

**NATIONAL TREASURY CIRCULAR NO 1/2021**

**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 2021/2022 and Medium-Term Projections for FYs 2022/2023 and 2023/2024:**

**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, State Corporations are required to prepare and submit their budgets proposals to the Parent Ministry and the National Treasury and Planning latest by end of January each year for the projected revenue and expenditure proposed to be incurred in the succeeding financial year.
2. The purpose of this Circular is to request State Corporations to prepare and submit their annual budgets for the financial year 2021/2022. The Circular further provides guidelines for the preparation and submission of the Annual Budget for State Corporations for **Financial Year 2021/2022** and Medium-Term projections **FYs 2022/2023 and 2023/2024**.
3. The calendar for the preparation of the FY 2021/2022 Annual Budget has been aligned to the timelines for the National Budget. In this regard, State Corporations are required to submit their Annual Budgets for FY 2021/2022 and projections for FYs 2022/2023 and 2023/2024 to their line ministries and the National Treasury and Planning, not later than 31st January, 2021 for approval.
4. Cognizant of the Covid-19 realities, the National Treasury has developed **Government Investment Management Information System (GIMIS)**, an

end to end automated platform for preparation, submission, analysis and approval of State Corporations budgets. Consequently, State Corporations budget process starting FY 2021/2022, will be processed through this platform as will be guided by the User Manual.

## **B. General Guidelines**

5. The FY 2021/2022 and the Medium Term Budget is being prepared on the backdrop of the Covid-19 pandemic that has presented unprecedented economic challenges globally.
6. In preparation of the FY 2021/2022 proposed budgets, State Corporations are therefore required to take into account the impact of the pandemic on revenue outturn and business operations. In this regard, State Corporations should prioritize and undertake only the critical activities and programs that maximizes on returns and/or efficient service delivery. 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.
7. In preparation of the Medium Term Budget for FYs 2020/21-2022/23 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 2017/2018 –2019/2020 Budgets. This should include but not limited to analysis of the previous budgetary allocations, actual expenditures and achievement of actual outputs.
8. Prioritization and allocation of budgetary resources should be in support of set objectives of the State Corporation Strategic Plan and planned activities in FY 2021/2022. 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.
9. State Corporations are expected to seek the approval from the Line Ministry, the National Treasury and Planning and other relevant authorities prior to:
  - i. Initiating new capital projects/programmes;
  - ii. Recruitment of staff;
  - iii. Acquisition of ICT related software, hardware/equipment and installations.

