



**REPUBLIC OF KENYA  
THE NATIONAL TREASURY AND PLANNING**

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THE NATIONAL TREASURY  
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When replying please quote

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Date: August 10<sup>th</sup>, 2018

**NATIONAL TREASURY CIRCULAR NO. 10/2018**

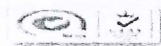
**To: All Principal Secretaries/Accounting Officers**

**All Chief Executive Officers of State Corporations**

**Approval of the State Corporations Annual Budgets for 2018/2019 FY:**

**I. Introduction/Background:**

1. In accordance with of the State Corporations Act, Cap 446, Section 11 & 12 and the Public Finance Management Act, 2012, Section 68, State Corporation are required to prepare and submit their annual budgets to the parent ministries and the National Treasury for approval. For the 2018/2019 FY, the submitted annual budgets to the line ministries and the National Treasury were reviewed and analyzed and a number of issues were noted.
2. Through Treasury Circular No.6/2018 dated June 29<sup>th</sup>, 2018, I authorized State Corporations to spend up to a quarter of the their proposed 2018/2019 FY budgets. This was found necessary to allow adequate time and flexibility for consultations to refocus expenditure to (i) support the Big 4 Agenda (ii) address expenditure escalations and other concerns that had been raised.
3. Following the recent meeting for all accounting officers and chairpersons and Chief Executive Officers of State Corporations at Kenyatta International Conference Centre (KICC), the National Treasury was directed to hold meetings with all MDAs, including State Corporations to review the 2018/2019 FY budget proposals with a view to align the budget to the revised fiscal framework underpinning the National Budget and to support the Big 4 Agenda and emerging National Government priorities.



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4. Subsequently, the National Treasury has held consultative meetings with ministries/state department on the 2018/2019 FY budgets with emphasis on reviewing all ongoing and new projects for 2018/2019 FY.
5. The next phase will entail consultations with State Corporations on the 2018/2019 FY rationalized budgets aligned to the Big 4 Agenda, emerging National Government priorities, and prioritizing completion of ongoing projects to facilitate approval of the annual budget. Further, the consultative meeting will address cross cutting issues noted by the National Treasury while reviewing and analyzing the proposed budgets, among them: -

**A. Recurrent Budget**

- i. Non-full disclosure of total revenues;
- ii. Unfunded budget deficits;
- iii. Pending Bills;
- iv. Non-servicing of debt obligations including on-lent and guaranteed loans;
- v. Non-payment of Statutory obligations like taxes, pensions, SACCO dues;
- vi. Disproportionate growth of recurrent expenditure; and
- vii. Non-payment of dividends and operating surpluses to the National Exchequer.

**B. Capital Budget**

- i. Implementation of projects without feasibility studies and/or project justification;
- ii. Absence of clear financing structure for both single and multiyear projects resulting to delays in project completion and related cost escalations;
- iii. Failure to align new projects with the Big 4 Agenda;
- iv. Stalled/incomplete Projects;
- v. Initiating and implementing projects that are outside the mandate of the entities;
- vi. Starting new projects before completion of ongoing ones;
- vii. Non-disclosure of project implementation status; and
- viii. Non-payment of contractual obligation resulting to pending bills.

**C. Cross Cutting Issues**

- i. Technically insolvent institutions;
- ii. Lack of title of ownership of assets; and
- iii. Inconsistent Financial Statements and projections, among others.

**II. Guidelines for Preparation and submission of the Rationalized Recurrent and Capital Budget for Approval:**

6. State Corporations are required to rationalize the recurrent budgets to align them to budgetary allocations as per the 2018/2019 FY Printed Estimates, projected internally generated revenue/AIAs and other revenues to ensure budgets are fully funded. Further, the rationalized recurrent budgets should have detailed breakdown/itemized to include all costs relating personnel emoluments, overtime payments, local and foreign training expenses, board expenses, legal fees, consultancies, office expenses, advertising, transport and travelling expenses, and expenses directly relating to the operations of the



entity to realize its mandate. The detailed breakdown of the recurrent budget should be submitted as per the format in **Annex I**.

7. State Corporations are further required to rationalize the capital budgets as follows: -
- i. For exchequer and donor funded projects, the capital budget should be aligned to the adjusted projects as agreed during consultations between the National Treasury and ministries, held from 1<sup>st</sup> to 9<sup>th</sup> August, 2018. In this regard, you are advised to consult your ministry/state department for guidance.
  - ii. In rationalizing the capital budget, priority should be given to completion of on-going projects, Big 4 Agenda and emerging National Government priorities.
  - iii. For new projects, State Corporations are required to demonstrate how they are aligned to the Big 4 Agenda, emerging National Government priorities and addressing the core-mandate of the corporation. State Corporations are also required to submit a summary of the feasibility study reports and/or project justification for projects that have capital expenditure below Kshs. 10 million.
  - iv. State Corporations are required to submit a full breakdown of the capital expenditure for 2018/2019 FY, including all ongoing projects indicating the status of implementation, new projects and other capital items as per the format in **Annex II**.

***NB.: The recurrent and capital budgets should include concise explanatory notes that should include clear explanations on how issues listed in Para 5 above, if any, have been addressed.***

### **III. Consultative Meetings:**

8. The National Treasury will convene consultative meetings with State Corporations from August 20<sup>th</sup> to 31<sup>st</sup>, 2018 for purposes of considering the rationalized budgets for approval. The programme for the consultative meetings indicating the date and time for each State Corporation is attached to the Circular as **Annex III**.
9. Accounting Officers of respective ministries/state departments should designate a senior officer/(s) conversant with sector policies and budget issues to accompany the team from respective State Corporations under his/her docket. The team from respective State Corporations shall comprise of; the Chairman of the Board of Directors, Chairman, Finance Committee of the Board, the CEO, Head of Planning Unit and Head of Finance.
10. The Designated Officer from the line ministry should come with details of exchequer/donor funded projects for implementation in 2018/2019 FY as agreed with the National Treasury and the line Ministry's/State Department's recommendations.
11. Accounting officers are required to ensure strict adherence to the contents of this Circular by ensuring that CEOs and boards of State Corporations are advised as appropriately.

### **IV. Submission of Rationalized Recurrent and Capital Budget:**

11. State Corporation should submit the rationalized recurrent and capital budgets together with concise explanatory notes that should include clear explanations on how issues listed



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in Para 5 above, if any have been addressed to the respective line Ministries and with a copy to the office of the Director General, Public Investments and Portfolio Management, the National Treasury not later than August 17, 2018. A soft copy of the submissions should be mailed to [dgipescbudgets2018@treasury.go.ke](mailto:dgipescbudgets2018@treasury.go.ke). Details of (telephone number and e-mail address) of the person to be contacted for any clarification should also be provided.

  
**HENRY K. ROTICH, EGH**  
**CABINET SECRETARY/NATIONAL TREASURY AND PLANNING**

Copy to: **All Cabinet Secretaries**

**Dr. Joseph K. Kinyua, EGH**  
Head of Public Service  
Executive Office of the President  
Harambee Avenue  
**NAIROBI.**

**Hon. Justice (Rtd) Paul Kihara Kariuki, CBS.**  
The Attorney General  
State Law Office and Department of Justice  
**NAIROBI.**

**FCPA. Edward Ouko, CBS**  
Auditor General  
Kenya National Audit Office  
**NAIROBI.**

**Mrs. Agnes Odhiambo, CBS**  
Controller of Budget  
Office of the Controller of Budget  
**NAIROBI.**

**Mr. Titus Muriithi**  
Inspector General of State Corporation  
Inspectorate of State Corporations  
Executive Office of the President  
**NAIROBI.**

**Annex I**  
**Itemized Recurrent Budget/Expenditures Kshs. '000'**

Details		Actual	Actual	Actual	Forecast	Budget
		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
<b>A</b>	<b>Recurrent Revenue:</b>					
1	Internally Generated revenue from fees, charges, levies, cost sharing etc.					
2	Governments Grants for Recurrent Exp.					
3	Grants, Dev't Partner for Recurrent Exp.					
4	Other Incomes for Recurrent Exp. (Specify)					
<b>5</b>	<b>Total Recurrent Revenue</b>					
	<b>Operating Expenses:</b>					
6	Personnel Emoluments					
	i. Basic Salary					
	ii. House Allowances					
	iii. Commuter/Transport Allowances					
	iv. Acting/Other Remunerative Allowances					
	v. Other Remunerative Benefits, Specify; Leave, Medical, Holiday, End of Year Staff Gifts, etc					
	vi.					
	<b>Sub-Total</b>					
7	Boards Expenses					
	i.					
	ii.					
	iii.					
	<b>Sub-Total</b>					
8	Contracted Services					
	i. Outsourced Legal Services					
	ii. Consultancies, Specify each Consultancy					
	iii. Other Outsourced Services					
	iv. Medical Insurance					
	v. Assets and Equipment Insurances					
	vi.					
	<b>Sub-Total</b>					
9	Expenses on Operations Relating to Core Mandate:					
	i.					
	ii.					
	iii.					
	<b>Sub-Total</b>					
9	Administrative Expenses					
	i. Motor Vehicle Operations					
	ii. Office Stationary, Printing, etc					
	iii. Hospitality					
	iv.					
	<b>Sub-Total</b>					
	Repairs and Maintenance					
	i. Buildings					
	ii. Motor Vehicles/Cycles					
	iii. Computers and other Office Equipment					
	iv. Other					
10	Depreciation					
11	Total Operating Expenses					
12	Operating Surplus/(Deficit)					
13	Finance Charges (Interest on Loans)					
14	Retained Operating Surplus					

**Annex II:  
Capital Budget/Project Feasibility Study Data/Justification**

Capital Budget/Project feasibility study data (Figures in KShs '000')										
Project in Order of Category, Priority and Justification	Projects cost			Amount required to completion	% Age of Completion of ongoing Project as at 30th June, 2018	Timeline		Proposed Budget 2018/2019	Sources of funds: GoK, A.I.A, dev. Partners, Borrowings	
	Initial Project Cost	Revised project cost	Actual cumulative Expenditure Up to June 2018			Start date	Expected date of completion			
<b>Capital Projects:</b>										
<b>On-Going Projects</b>										
1.										
2.										
<b>Sub-Total</b>										
<b>New Projects:</b>										
<b>Total Capital Cost/Budget</b>										
1.										
2.										
<b>Sub-Total</b>										
<b>Other Capital Items:</b>										
1.										
2.										
<b>Sub-Total</b>										
<b>Grand Total</b>										
<b>Source of Funds For the Capital Budget</b>										
1	A.I.A - retained earnings	Current Previous years								
2	Governments Grants - Development									
3	Grants from Dev't partner - dev't									
4	Borrowings, Both Current Year and Previous Years (Including Infrastructure Bond)									
5	Other Incomes - Dev't (Specify)									
6	<b>Total Funds</b>									

### Annex III.

#### Programme for the Consultative Meetings to be Held at The National Treasury:

Time	State Corporation	State Department	State Corporation	State Department
20 <sup>th</sup> August 2018				
8.00 – 9.00	Kenya Electricity Transmission Company	Energy	Kenya National Highways Authority	Infrastructure
9.00 – 10.00	Kenya Nuclear Electricity Board	Energy	Kenya Roads Board	Infrastructure
10.00 – 11.00	Rural Electrification Authority	Energy	Kenya Rural Roads Authority	Infrastructure
11.00 – 12.00	National Oil Corporation of Kenya	Petroleum	Kenya Urban Roads Authority	Infrastructure
12.00 – 1.00	National Irrigation Board	Irrigation	Egerton University	University Education
Lunch				
2.00 – 3.00	Coast Water Services Board	Water & Sanitation	Jomo Kenyatta University of Agriculture and Technology	University Education
3.00 – 4.00	Kenya Water Institute	Water & Sanitation	Maseno University	University Education
4.00 – 5.00	Athi Water Services Board	Water & Sanitation	Masinde Muliro University of Science & Technology	University Education
21 <sup>st</sup> August 2018				
8.00 – 9.00	Lake Victoria North Water Services Board	Water & Sanitation	Allupe University College	University Education
9.00 – 10.00	Lake Victoria South Water Services Board	Water & Sanitation	Chuka University	University Education
10.00 – 11.00	National Water Conservation & Pipeline Corporation	Water & Sanitation	Commission for University Education	University Education
11.00 – 12.00	Northern Water Services Board	Water & Sanitation	Eldoret National Polytechnic	University Education
12.00 – 1.00	Tana Water Services Board	Water & Sanitation	Embu University	University Education
Lunch				
2.00 – 3.00	Tanathi Water Services Board	Water & Sanitation	Garissa University College	University Education
3.00 – 4.00	Water Resources Management Authority	Water & Sanitation	Higher Education Loans Board	University Education
4.00 – 5.00	Water Services Regulatory Board	Water & Sanitation	Jaramogi Oginga Odinga University of Science & Technology	University Education
22 <sup>nd</sup> August 2018				
8.00 – 9.00	Water Services Trust Fund	Water & Sanitation	Kaimosi Friends University College	University Education
9.00 – 10.00	Rift Valley Water Services Board	Water & Sanitation	Karatina University	University Education
10.00 – 11.00	Kenya Medical Supplies Authority	Health	Kenya Universities and Colleges Central Placement Service	University Education
11.00 – 12.00	Kenya Medical Training College	Health	Kibabii University	University Education
12.00 – 1.00	Moi Teaching and Referral Hospital	Health	Kirinyaga University	University Education
Lunch				
2.00 – 3.00	National Aids Control Council	Health	Kisumu National Polytechnic	University Education
3.00 – 4.00	National Hospital Insurance Fund	Health	Laikipia University	University Education
4.00 – 5.00	Kenyatta National	Health	Maasai Mara University	University Education

Time	State Corporation	State Department		State Corporation	State Department
	Hospital				
23 <sup>rd</sup> August 2018					
8.00 – 9.000	Kenya Civil Aviation Authority	Transport		Machakos University	University Education
9.00 – 10.00	National Transport and Safety Authority	Transport		Meru University of Science & Technology	University Education
10.00 – 11.00	Kenya Ferry Service	Transport		Moi University	University Education
11.00 – 12.00	Kenya Railways Corporation	Transport		Multimedia University of Kenya	University Education
12.00 – 1.00	Insurance Regulatory Authority	The National Treasury		Muranga University of Technology	University Education
Lunch					
2.00 – 3.00	Kenya Accountant & Secretaries National Examination Board	The National Treasury		Pwani University	University Education
3.00 – 4.00	Privatization Commission	The National Treasury		Rongo University	University Education
4.00 – 5.00	Competition Authority of Kenya	The National Treasury		South Eastern Kenya University	University Education
24 <sup>th</sup> August 2018					
8.00 – 9.000	Financial Reporting Center Capital markets Authority	The National Treasury		Taita Taveta University	University Education
9.00 – 10.00	Public Procurement Regulatory Authority	The National Treasury		Technical University Mombasa	University Education
10.00 – 11.00	Information & Communication Technology Authority	ICT		Technical University of Kenya	University Education
11.00 – 12.00	Kenya Broadcasting Corporation	ICT		Co-operative University	University Education
12.00 – 1.00	Kenya Film Commission	ICT		Tom Mboya University College	University Education
Lunch					
2.00 – 3.00	Kenya Institute of Mass Communication	ICT		Turkana University College Tharaka University College	University Education
3.00 – 4.00	Konza Technopolis Development Authority	ICT		University Kabianga	University Education
4.00 – 5.00	Postal Corporation of Kenya	ICT		University of Eldoret	University Education
27 <sup>th</sup> August 2018					
8.00 – 9.000	Kenya National Bureau of Statistics	Planning		Dedan Kimathi University	University Education
9.00 – 10.00	Kenya Vision 2030 Delivery Secretariat	Planning		National Commission for Science and Technology	University Education
10.00 – 11.00	National Coordinating Agency for Population & Development	Planning		Coast Development Authority	Devolution
11.00 – 12.00	NG Constituency Development Fund Board	Planning		Ewaso Ng'iro North Development Authority	Devolution
12.00 – 1.00	East African Portland Cement	Industry		Ewaso Ng'iro South Development Authority	Devolution
Lunch					
2.00 – 3.00	Export Processing Zones Authority	Industry		Lake Basin Development Authority	Devolution



Time	State Corporation	State Department	State Corporation	State Department
3.00 – 4.00	Export Promotion Council	Industry	Tana and Athi Rivers Development Authority	Devolution
4.00 – 5.00	Kenya Bureau of Standards	Industry	National Drought Management Authority	ASALS
28 <sup>th</sup> August 2018				
8.00 – 9.00	Kenya Industrial Estates	Industry	Bomas of Kenya	Tourism and Wildlife
9.00 – 10.00	Kenya Industrial Research & Development Institute	Industry	Brand Kenya Board	Tourism and Wildlife
10.00 – 11.00	Kenya Investment Authority	Industry	Kabarnet Hotel	Tourism and Wildlife
11.00 – 12.00	Kenya Leather Development Council	Industry	Kenya Safari Lodges and Hotels	Tourism and Wildlife
12.00 – 1.00	Kenya National Accreditation Service	Industry	Kenya Tourism Board	Tourism and Wildlife
Lunch				
2.00 – 3.00	Numerical Machining Complex	Industry	Kenya Utalii College	Tourism and Wildlife
3.00 – 4.00	National Employment Authority	Labour	Kenyatta International Convention Center	Tourism and Wildlife
4.00 – 5.00	National Campaign Against Alcohol & Drug Abuse Authority	Correction Services	Mt Elgon Lodge Ltd	Tourism and Wildlife
29 <sup>th</sup> August 2018				
8.00 – 9.00	Kenya Law Reform Commission	State Law Office and Department of Justice	Sunset Hotel	Tourism and Wildlife
9.00 – 10.00	National Crime Research Center	State Law Office and Department of Justice	Tourism Finance Corporation	Tourism and Wildlife
10.00 – 11.00	Kenya National Trading Corporation	Small & Medium Enterprises	Tourism Fund	Tourism and Wildlife
11.00 – 12.00	Kenya Agricultural and Livestock Research Organization (KALRO)	Agriculture Research	Tourism Regulatory Authority	Tourism and Wildlife
12.00 – 1.00	Kenya Animal Genetic Resource Center	Agriculture Research	National Council for Persons With Disabilities	Social Protection
Lunch				
2.00 – 3.00	Kenya Marine and Fisheries Research Institute	Agriculture Research	National Social Security Fund	Social Protection
3.00 – 4.00	Kenya Plant Health Inspectorate Services	Agriculture Research	New Kenya Creameries Cooperative Limited	Cooperatives
4.00 – 5.00	Kenya Tsetse and Trypanosomiasis Council	Agriculture Research	Sacco Societies Regulatory Authority	Cooperatives
30 <sup>th</sup> August 2018				
8.00 – 9.00	Kenya Institute of Curriculum Development	Early Learning and Basic Education	Agricultural Development Corporation	Crop Production
9.00 – 10.00	Kenya National Commission for UNESCO	Early Learning and Basic Education	Agricultural Finance Corporation	Crop Production
10.00 – 11.00	Kenya National Examination Council	Early Learning and Basic Education	Agriculture Food Authority	Crop Production
11.00 – 12.00	School Equipment Production Unit	Early Learning and Basic Education	Agro-Chemical and Food Company	Crop Production
12.00 – 1.00	National Industrial Training Authority	Early Learning and Basic Education	Bukura Agricultural College	Crop Production



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Time	State Corporation	State Department	State Corporation	State Department
Lunch				
2.00 – 3.00	LAPSSET Corridor Development Authority	Northern Corridor Development	Chemelil Sugar Company	Crop Production
3.00 – 4.00	National Environment Authority	Environment & Forestry	Kenya Seed Company	Crop Production
4.00 – 5.00	National Environment Trust Fund	Environment & Forestry	Muhoroni Sugar Company (Under Receivership)	Crop Production
31 <sup>st</sup> August 2018				
8.00 – 9.00	Kenya Forest Service	Environment & Forestry	National Cereals and Produce Board	Crop Production
9.00 – 10.00	Kenya Dairy Board	Livestock	Nyayo Tea Zones Development Corporation	Crop Production
10.00 – 11.00	Kenya Meat Commission	Livestock	Nzoia Sugar Company	Crop Production
11.00 – 12.00	Kenya Veterinary Vaccines Production Institute	Livestock	South Nyanza Sugar Company	Crop Production
12.00 – 1.00	Kenya Veterinary Board	Livestock	Women Enterprise Fund	Gender
Lunch				
2.00 – 3.00	Kenya School of Government	Public Service and Youth	National Construction Authority	Housing
3.00 – 4.00	National Youth Council	Public Service and Youth	National Housing Corporation	Housing
4.00 – 5.00	Youth Enterprise Development Fund	Public Service and Youth	National Anti-Corruption Campaign Steering Committee	

**The dates for the Consultative Meetings for the following State Corporations will be communicated in Due Course:**

Communication Authority of Kenya	Kenya Revenue Authority
Kenya Airports Authority	Kenyatta University (KU)
Kenya Ports Authority	Kisii University
Kenya Pipeline Company Ltd	Kerio Valley Development Authority
Geothermal Development Corporation	University of Nairobi
Kenya Electricity Generating Company Ltd	Kenya Wildlife Services
Kenya Power and Lightning Company Ltd	Kenya Maritime Authority
Kenya Deposit Insurance Corporation	Kenya National Shipping Line Ltd
Unclaimed Financial Assets Authority	Coast Water Services Board

