



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND PLANNING

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Date: December 20th, 2019

NATIONAL TREASURY CIRCULAR NO. 22/2019

To: All Principal Secretaries/Accounting Officers

All Chief Executive Officers of State Corporations and Semi-Autonomous Government Agencies

Guidelines for the Preparation of the Annual Budget for State Corporation for Financial Year 2020/2021 and Medium-Term Projections for FYs 2021/2022 and 2022/2023:

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 and Semi-Autonomous Government Agencies (SAGAs) are required to prepare and submit their budget 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 and SAGAs to prepare and submit their annual budgets for the financial year 2020/2021. The Circular further provides guidelines for the preparation and submission of the Annual Budget for State Corporations and SAGAs for Financial Year 2020/2021 and Medium-Term projections **FYs 2021/2022 and 2022/2023**.
3. The calendar for the preparation of the FY 2020/2021 Annual Budget has been aligned to the timelines for the National Budget. In this regard, State Corporations and SAGAs are required to submit their Annual Budgets for FY 2020/2021 and projections for FYs 2021/2022 and 2022/2023 to their line Ministries and the National Treasury and Planning, not later than 31st January, 2020 for approval.

B. General Guidelines

4. In preparation of the Medium Term Budget for 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 2016-2017-2018/2019 Medium Term Budget. This should include but not limited to analysis of the previous budgetary allocations, actual expenditures and achievement of actual outputs.
5. Prioritization and allocation of budgetary resources should be in support of set objectives of the State Corporation Strategic Plan and planned activities in 2020/2021 FY. 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.
6. 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 new staff;
 - (iii) Acquisition of ICT related software, hardware/equipment and installations.

Estimates of Revenue

7. It is noted that some State Corporations do not make full disclosure of internally generated revenues or under-estimate such revenues at the time of budget preparation. State Corporations are required to reflect all revenues that accrue to the respective entity, including grants. Please note that any revenues over and above what the National Treasury has not approved will require a fresh approval before spending.
8. This budget exercise is not a resource bidding process. State Corporations with projects and programs to be financed from the National Exchequer are therefore, required to ensure budgetary requirements to be funded through the National Budget are agreed upon with the line Ministries before being factored in the FYs 2020/2021 - 2022/2023 Medium Term Expenditure Framework. In this regard, State Corporations are required to obtain and submit alongside their 2020/2021 FY budget proposal, a letter from the line Ministries confirming the agreed funding levels from the National Budget.

Financial Management

9. State Corporations should, as a matter of priority, enhance cost control measures with the aim of delivering services in the most cost-effective manner. Chief Executives of State Corporations are reminded that incurring expenditures that are **NOT** approved by their parent Ministry and the National Treasury and Planning is irregular and they will be held personally liable for such expenditures in accordance with provisions of the Public Finance Management Act, 2012.
10. State Corporations are required to entrench prudent financial management practices in their planning. In this regard, the National Treasury and Planning will not approve or recommend for approval proposed budget with operating deficit/loss or negative cash balances.

Settlement of Pending Bills

11. It has been noted that some State Corporations are not prioritizing settlement for payment to suppliers and contractors on time. This has not only resulted to accumulation of pending bills but also impacted negatively to the growth of SMEs and the overall economy. State Corporations are therefore, required to comply with the law not to initiate procurement without budgetary provisions and adequate funding. Further, State Corporations are required to settle financial obligations to suppliers and service providers within reasonable timelines.

Dividends

12. All commercial State Corporations are expected to generate reasonable returns and should declare and pay dividends to the National Treasury and Planning and to other shareholders, where the State Corporation is not wholly owned by the Government.
13. In this regard, all commercial State Corporations are required to submit their approved dividend policies together with their Annual Estimates for the FY 2020/2021.
14. State Corporations in arrears of dividend payments and remittance of surplus funds up to 2017/2018 Financial Year are required to take immediate steps and remit the payments due to the National Treasury.

Operating Surplus

15. All Regulatory Authorities are required to remit to the National Exchequer 90% of the operating surplus for the preceding financial year upon completion of audit of the financial statements and annual report.

Pension Schemes

16. All State Corporations are expected to have converted their pension schemes from Defined Benefit (DB) pension schemes to Defined Contribution (DC) pension schemes, in accordance with Treasury Circular No. 18/2010 of 24th November, 2010.
17. The National Treasury and Planning has noted with concern that some State Corporations have not complied fully with the Government policy directive contained in the Circular. It is also noted that some State Corporations have not been remitting staff Pension contributions to the respective schemes. Consequently, these State Corporations have accumulated huge arrears of staff pension contributions contrary to existing laws and Government policies. In this regard, State Corporations should budget for and honour their staff pension obligations including the arrears.
18. Concerns have been raised on closed defined benefits pension schemes. The Board of directors are reminded of their responsibility to protect the interests of the pensioners and to provide oversight for effective operations of such schemes.
19. State Corporations are required to include in their budget submissions, status of staff pension contributions for the last three years – *Appendix X*

Loans and Statutory Obligations

20. All State Corporations must prioritize debt service and payment of statutory obligations as a first charge on their revenues. The National Treasury and Planning will not give concurrence for borrowings or, where applicable, grant guarantees for State Corporations which are in default of loan repayments and other statutory obligations. State Corporations with GoK loan arrears should provide clear proposals on how they intend to clear the arrears.
21. State Corporations in default of debt servicing and payment of statutory obligations must reduce expenditures in other areas and go slow on implementation of new projects. Investment of funds by State Corporations in default of debt service and payment of statutory obligations is discouraged.
22. A detailed review of State Corporations in serious financial distress will be conducted and recommendations made for their restructuring, merging, winding up and /or other measures to reduce financial losses to the Government.

Cash Management and Bank Accounts

23. In accordance with section 28(1) of the PFMA, no State Corporation should open and operate bank accounts without prior approval of the National Treasury and Planning. Similarly, no State Corporation should invest surplus funds in any financial institution/bank without prior approval of the National Treasury and Planning, other than where the investment is in Treasury bills /bonds.

24. State Corporations should provide details of all bank accounts, including the balances in each bank account as at 31st December, 2019, summarized as per the format in *Appendix IX*.

Remuneration and Benefits to Employees

25. Currently, members of staff of State Corporations are remunerated in accordance with categorization as per Circular *No. OP/CAB.9/21/2A/LII/43* dated 23rd November, 2004. State Corporations should comply with their respective approved salary structures by Salaries and Remuneration Commission (SRC) subject to financial sustainability as confirmed by the respective Boards and the National Treasury and Planning.
26. Adjustments of salaries and other remunerative benefits to staff of State Corporations should only be done after receiving approval from the Salaries and Remuneration Commission (SRC). In this regard, State Corporations are reminded to first get written approval from the National Treasury and Planning confirming availability of funds before putting requests to SRC.

Capital Budget

27. The proposed capital budget should be prepared and aligned to the Strategic Plan of the State Corporation and the Third Medium Term Plan (MTP III), (2018-2022). Further, State Corporations should ensure there is adequate funding for realization of Key Result Areas (KRAs) identified in the respective sectors as articulated in the MTP III with emphasis on the Government's Big 4 Agenda (Plan) and completion of on-going projects.
28. The capital projects to be prioritized for execution should be those for which the State Corporation concerned can mobilize the requisite resources (including donor grants, borrowings and Exchequer funding allocated under sector/ministerial ceilings). The capital budgets should be realistic and consistent with sector/ministry strategic objectives.
29. The Government has directed that no new projects should be initiated without the approval of the National Treasury and Planning. In this regard, the National Treasury and Planning has developed a Public Investment Management (PIM) framework and adopted the PIM Guidelines to increase efficiency and effectiveness in public spending. These guidelines will be applied in the preparation, appraisal and approval of all new projects before they are included in the budget. The CEOs of State Corporations are required to ensure that all new projects are prepared, appraised and approved by the National Treasury and Planning before prioritization for budget allocation.
30. Further, the CEOs of State Corporations are required to ensure that the following conditions are met before the start of execution of any new project:
- (i) Funding is secured;
 - (ii) All conditions precedent including land acquisition are fulfilled;
 - (iii) Detailed designs are completed and relevant approvals obtained where applicable;
 - (iv) Project details are captured in the Public Investment Management Information System (PIMS).
31. State Corporations are required to take into account funding requirements of all on-going projects, multi-year funding requirements of capital projects up to their completion before initiating any new projects. State Corporations are required to submit a full breakdown of the capital expenditure for 2020/21 FY, including all on-going projects indicating the status of implementation, new projects and other capital items as per *Appendix IV*.
32. State Corporations whose capital budget is funded by National Exchequer should attach **Annex 7** (Project Details for FY 2020/2021 and Medium- Term Projections) which has already been submitted to the National Treasury and Planning through the Line Ministry for the preparation of Medium-Term Budget for the period 2020/21-2022/23.

Revision of Budgets

33. As State Corporations submit their respective annual budget for revenue and expenditure within the set time limits, it is possible that unforeseen and unavoidable events may impact their operations and revision of the budget becomes necessary. Consequently, any revision exceeding 10% of the approved budget for revenue and expenditure **must** be submitted for review and approval by the line Ministry and the National Treasury and Planning.
34. The revised annual budget for FY 2019/2020 **must** be submitted separately from proposed annual budget for FY 2020/2021 and projections for FYs 2021/2022 - 2022/2023 and should be done at the earliest time possible when the unforeseen/unavoidable events emerge. The line Ministry and the National Treasury and Planning **will not** approve any expenditure which has already been incurred.

C. Formats and Presentation of the Annual Budget and Projections

35. The proposed 2020/2021 Annual Budget and the 2021/2022 and 2022/2023 Medium Term Projections should include—
 - (i) Statement on the State Corporation's short-term objectives, performance review and outlook as approved by the Board;
 - (ii) Main assumptions including key economic parameters;
 - (iii) Staffing levels by category/cadres;
 - (iv) Detailed Remedial Action Plan for any outstanding pension scheme liabilities;
 - (v) Detailed Plan for payment of all outstanding debt and statutory obligations; and
 - (vi) Concise explanatory notes to the Annual Estimates of Revenue and Expenditure (budgets).
36. It has been noted that some State Corporations do not provide concise explanatory notes to the Annual Estimates of Revenue and Expenditure, as required. Budget proposals submitted without explanatory notes will not be approved.

Statement of Total Funds:

37. State Corporations should provide comprehensive details on funds that will be available to fund the Corporation 2020/2021 Financial Year budget and for 2021/2022 and 2022/2023 outer years as illustrated in *Appendix I*.

Statement of Financial Performance:

38. The Statement of Financial Performance should contain three years' financial performance (for **FY2016/2017 – 2018/2019**) and the latest forecast for FY 2019/2020, the proposed and projected annual estimates of revenue and expenditure (budget) for FY2020/2021 and the two outer FY2021/2022 and FY2022/2023, respectively.
39. Every State Corporation **should customize** its statement of financial performance into either—
 - (i) Statement of Financial Performance for Not-for-Profit State Corporations as illustrated in *Appendix IIa*; or
 - (ii) Statement of Financial Performance for Commercial State Corporations as illustrated in *Appendix IIb*.
40. The following guidelines should be taken into consideration while preparing the Statement of Financial Performance—
 - (i) All estimates of revenue and expenditure should be realistic;
 - (ii) State Corporations should ensure that funds are prioritized towards the achievement of their respective core mandates and the realization of the Key Result Areas (KRAs) identified in their respective sectors as articulated in the MTP III; and

(iii) The statement of financial performance for the period must clearly indicate all sources of revenue (earmarked to fund recurrent expenditure).

41. Statement of detailed breakdown/itemized of revenues and expenditures **Appendix III**

Annual Capital/Development Budget:

42. The submission should include—

- (i) A project implementation schedule for every project, clearly indicating the level of completion for on-going projects, projected work(s) to completion and time frame to complete the project as well as sources of funding as illustrated in **Appendix IV**;
- (ii) The line Ministry's appraisal of the **feasibility studies for capital projects** to ensure consistency with the Corporation's core mandate and strategic plan, and the sector/Ministry strategic objectives/MTP III priorities and recommendations to the National Treasury and Planning for incorporation in the review and analysis of the proposed capital budget.
- (iii) All new projects must be accompanied by a Concept Note in the format prescribed in **Appendix V**.

Statement of Financial Position:

43. The Statement of Financial Position should include the actual audited three years' financial position (for **FYs 2016/2017 – 2018/2019**) and the latest forecast (management accounts) for FY 2019/2020, the budgeted financial position for FY 2020/2021 and the two outer financial years (FY 2021/2022 and FY 2022/2023) as illustrated in **Appendix VI**.

Cash Flow Statement and Projections:

44. The proposed budget for every State Corporation should include a cash flow statement and projections, as per the format in **Appendix VII**. The cash flow statement and projections should not reflect any overdrawn position (negative cash flow) unless a State Corporation has in place bank overdraft facilities which have previously been approved by the line Ministry with the concurrence of the National Treasury and Planning.

Schedule of Investments of Surplus Funds

45. The proposed budget for State Corporations should include a schedule of investments of surplus funds, as per the format in **Appendix VIII**.

D. Deadlines for Submission of FY 2020/2021 Annual Budget and FYs 2021/2022 & 2022/2023 Projections

46. Annual Estimates of Revenue and Expenditure for the FY 2020/2021 and projections for the FYs 2021/2022 and 2022/2023 for State Corporations should be submitted to the respective line Ministries, **with a copy** to the Acting Director General/Public Investment and Portfolio Management (2 Floor Room 230), at The National Treasury and Planning, **not later than 31st January, 2020**. A soft copy of the submission should be emailed to dgipescbudgets2020@treasury.go.ke. Details (telephone number and e-mail address) of the person(s) to be contacted for any clarification should also be included. The contact person(s) familiar with the proposed budget should be available to respond to any queries or clarifications from the line Ministry and the National Treasury and Planning.

47. The respective line Ministries should review the submitted Annual Estimates of Revenue and Expenditure for State Corporations and forward, **within the timelines indicated in Annex II**, their comments and recommendations to the National Treasury and Planning for consideration in the review of the respective annual budgets.

48. A checklist of requirements for the FY 2020/2021 Annual Budget and the 2021/2022 and 2022/2023 projections is provided in **Annex I**. Submission deadlines are also provided in **Annex II**.

E. Responsibility for Submissions

49. Responsibility for ensuring that the State Corporations comply with the provisions of this Circular lies with the Board of Directors, University Councils and Chief Executive Officers of Institutions. The Accounting Officers of the respective line Ministries should, as part of their oversight role, ensure that State Corporations falling within their dockets comply with this Circular.
50. Extracts of minutes of the relevant meeting of the Board of Directors/governing organs at which the annual estimates and projections of revenue and expenditure were approved should be included in the submission. **The Board Resolution should clearly indicate the approved amount for recurrent and development expenditure.**

F. Conclusion

51. The National Treasury and Planning will **NOT** approve or recommend to the line Ministries approval for the proposed budgets that are not submitted in line with this Circular. Further, Accounting Officers and CEOs are reminded to ensure that **NO** State Corporation commences the implementation of programmes or incurs expenditure for the financial year where approval of the proposed budget has not been granted by the line ministry and the National Treasury and Planning.



HON. (AMB) UKUR K. YATANI

AG. CABINET SECRETARY/THE NATIONAL TREASURY AND PLANNING

Copied to: All Cabinet Secretaries

The Hon. Attorney General
Sheria House
NAIROBI.

Head of the Public Service
Executive Office of the President
Harambee House
NAIROBI.

The Auditor-General
Office of the Auditor General
NAIROBI

The Controller of Budget
Office of the Controller of Budget
NAIROBI.

The Inspector-General Corporations
Inspectorate of State Corporations
Executive Office of the President
NAIROBI.

APPENDIX I: Statement of Total Funds (Figures in KSh. '000')								
Details		Actual	Actual	Actual	Forecast	Budget	Projection	
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Recurrent:								
1.	Internally Generated Revenue							
2.	Governments Grants for Recurrent							
3.	Grants, Dev't Partner for Recurrent							
4.	Other Incomes for Recurrent (Specify)							
5.	Total Recurrent							
Development:								
6.	Government Grants for Development							
7.	Grants, Development Partner for Dev't							
8.	Retained surplus from current/previous years							
9.	Other Incomes for Dev't (Specify)							
10.	Total Development Revenue							
11.	Total Revenue							

NB: State Corporations should clearly indicate total funds:

- (i) Internally generated revenue including but not limited to income from sales, fees, charges, levies, cost sharing, etc;
- (ii) Grants or income from development partners or other sources earmarked to defray or finance recurrent / operating expenses; and
- (iii) Grants or income from development partners or other sources earmarked to finance capital projects.

APPENDIX IIa: Statement of Financial Performance Not for Profit (Figures in KSh. '000')								
Details		Actual 2016/2017	Actual 2017/2018	Actual 2018/2019	Forecast 2019/2020	Budget 2020/2021	Projection	
							2021/2022	2022/2023
Recurrent Revenue:								
1.	Internally Generated revenue from fees, charges, levies, cost sharing etc.							
2.	Governments Grants for Recurrent							
3.	Grants, Dev't Partner for Recurrent							
4.	Other Incomes for Recurrent (Specify)							
5.	Total Recurrent Revenue							
Operating Expenses:								
6.	Personnel Emoluments							
7.	Board Expenses							
8.	Operating/Administrative Expenses							
9.	Repairs and Maintenance							
10.	Depreciation							
11.	Total Operating Expenses							
12.	Operating Surplus/(Deficit)							
13.	Finance Charges (Interest on Loans)							
14.	Retained Operating Surplus							
15.	Remittances of Operating Surplus to National Exchequer							
Ratios								
16.	Operating Surplus Margin*							
17.	Personal Costs to Recurrent Costs							
18.	Personal Costs to Recurrent Revenue							
Number of Employees								
19.	Management							
20.	Technical							
21.	Others							

NB: (i) This Table applies to non-commercial corporations.

(ii) Provide a brief trend analysis/explanatory notes for any movement in each of the budget lines during the review period.

* Line 15 applies to Regulatory Authorities required to remit 90% of operating surplus to the National Exchequer.

APPENDIX IIb: Statement of Financial Performance for Commercial State Corporations (Figures in KSh. '000')								
Details		Actual	Actual	Actual	Forecast	Budget	Projection	
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Recurrent Revenue:								
1.	Gross Sales Income							
2.	Cost of Sales							
3.	Gross Profit							
4.	Other Income and Grants Recurrent							
5.	Total Recurrent Revenue							
Operating Expenses:								
6.	Personnel Emoluments							
7.	Board Expenses							
8.	Operating/Administrative Expenses							
9.	Repairs and Maintenance							
10.	Depreciation							
11.	Total Operating Expenses							
12.	Operating Surplus/(Deficit)							
13.	Finance Charges (Interest on Loans)							
14.	Corporation Tax							
15.	Net Earnings							
16.	Distribution	Dividends						
		Retained Earnings						
Ratios								
17.	Gross Profit margin							
18.	Net Profit Margin							
19.	Personal Costs to Recurrent Costs							
20.	Personal Costs to Recurrent revenue							
Number of Employees								
21.	Management							
22.	Technical							
23.	Others							

NB: (i) This Table applies to for profit/commercial corporations.

(ii) Provide a brief trend analysis/explanatory notes for any movement in each of the budget lines during the review period.

APPENDIX III : Statement of Itemized Recurrent Revenue and Expenditures (Figures in KSh. '000')

Details		Actual	Actual	Actual	Forecast	Budget
		2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
A	Recurrent Revenue:					
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)					
5.	Total Recurrent Revenue					
	Operating Expenses:					
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)					
	Sub-Total					
7.	Boards Expenses					
	(i)					
	(ii)					
	(iii)					
	Sub-Total					
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)					
	Sub-Total					
9.	Expenses on Operations Relating to Core Mandate:					
	(i)					
	(ii)					
	(iii)					
	Sub-Total					
10.	Administrative Expenses					
	(i) Motor Vehicle Operations					
	(ii) Office Stationary, Printing, etc					
	(iii) Hospitality					
	(iv)					
	Sub-Total					
	Repairs and Maintenance					
	(i) Buildings					
	(ii) Motor Vehicles/Cycles					
	(iii) Computers and other Office Equipment					
	(iv) Other					
11.	Depreciation					
12.	Total Operating Expenses					
13.	Operating Surplus/(Deficit)					
14.	Finance Charges (Interest on Loans)					
15.	Retained Operating Surplus					

NB: Provide a brief trend analysis/explanatory notes for any movement in each of the expenditure item during the review period.

APPENDIX IV: Statement of Capital Budget (Figures in KSh. '000')										
Project in Order of Priority and Justification	Projected cost			Amount required to completion	% of Completion of ongoing Project as at 30th June, 2020	Timeline		Proposed Budget 2020/2021	Sources of funds: GoK, A.I.A, dev. Partners, Borrowings	
	Initial Project Cost	Revised project cost	Cumulative expenditure up to June 2020			Start date	Expected date of completion			
Capital Projects:										
1. All On-Going Projects										
(i)										
(ii)										
(iii)										
Sub-Total										
2. All New Projects:										
(i)										
(ii)										
(iii)										
Sub-Total										
Other Expenditures on Development and Capital Items to be Acquired or Whose Implementation will be done within in (1) FY:										
(i)										
(ii)										
(iii)										
Sub-Total										
Grand Total										
Source of Funds For the Capital Budget										
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.	Total Funds									

NB: State Corporations should clearly indicate the source of funds for the capital budgets whether from internally generated revenue, (Appropriation in Aid); from retained earnings including previous years; borrowings (both current year and previous years including infrastructure bonds) or other incomes from development partners earmarked to finance capital projects.

APPENDIX V Project Concept Note Template

SECTION 1: PROJECT PROFILE			
Project Name:			
Project Reference Number:			
Ministry:			
Implementing Agency (MDA):			
Initiating Department / Division / Section / Unit:			
Budget Vote (where applicable):			
Estimated Project Cost:			
MTEF Sector:			
Accounting Officer:			
Official Contact Details (Provide email, telephone number, postal and physical address):			
Project Threshold:			
Project Geographic Location (Provide GPS Coordinates here):			
County:	Sub-County:	Ward:	Village:
Planned Start Date:			
Planned End Date:			
Date of Submission:			
SECTION 2: PROJECT BACKGROUND			
1. Situation Analysis			
Provide a background of the project:			
<ul style="list-style-type: none"> (a) Briefly describe the current situation that rationalizes the project. (b) Briefly describe past and on-going interventions to address the situation; quote official statistics including past trends to support your narrative, where applicable. 			
2. Problem Statement			
Provide details of the problem to be addressed in terms of challenges, constraints and gaps:			
<ul style="list-style-type: none"> (a) the problem both direct and indirect. (b) Provide any alternative options that Nature of the problem (c) Scope of the problem (How widespread or the magnitude of the problem) (d) State the likely causes and effects of may be available to address the problem. 			
3. Relevance of the Project Idea			
Justify the need for the proposed project by:			
<ul style="list-style-type: none"> (a) Linking the project to the National / County Development Plan strategic goals and objectives that the proposed project is expected to contribute to; (b) Linking the proposed project to Sector strategic objectives and strategies by describing the sector outcomes that the project is expected to contribute to; (c) Show the need for the project by analyzing and describing the quantitative indicators of demand for the services or goods to be delivered by project using readily available information. (d) Describe the rationale for the government to intervene through the project, whether or not the private sector can deliver the project objectives and the consequences of not implementing the project. (e) Describe the compatibility between the project and the timeframe for achieving the strategic goals and objectives that it is intended to serve. 			
4. Needs Assessment			
Identify the target final beneficiaries (i.e. the end users of the services to be provided by the project) and give approximate assessment of their likely demand for the services provided by project by providing the following information:			
<ul style="list-style-type: none"> (a) Specific target group of final beneficiaries intended to benefit from the proposed project. (b) Approximate estimate of how many end-users there will be for the services provided by the project, indicating the units of measurement (individuals, households, business). (c) Estimate the physical demand for the services provided by the project on completion and its growth rate, indicating the unit(s) of measurement (e.g. cubic metres of water per day, vehicles per day; and (d) Proposed physical capacity of the proposed facilities, indicating the unit(s) of measurement e.g. cubic metres of water per day, or square metres of usable space. 			

(e) Identify potential benefits and make a preliminary qualitative assessment by providing the following information:

- (i) The main benefits of the asset that will be created to the end-users;
- (ii) Any significant external benefits or negative effects for non-users; and
- (iii) Any significant differences in benefits between alternatives if any, with brief explanations.

SECTION 3: SCOPE OF THE PROJECT

Describe the scope of the project by defining the boundaries of the proposed project in terms the outputs or deliverables of the project or the statement of work that needs to be accomplished to deliver the product, service or result required.

SECTION 4: LOGICAL FRAMEWORK

This section will show intervention logic or the result chain in a logical manner with a detailed description of the project goal, objectives, outcomes, outputs and inputs.

(a) Goal

State the goal in the Medium Term Plan/County Integrated Development Plan that the project intends to achieve. Also define the indicator that will be used to measure success of the project against the goal and briefly explain how information on this indicator shall be obtained.

(b) Project Objectives/Outcomes

Define the project objectives and the corresponding outcomes. These include the effects that will follow from the utilization of products or services (outputs) delivered by the project. These could be the eventual benefits to society that the project interventions are intended to achieve and are reflected in terms of what people will be able to do better, faster, or more efficiently, or what they could never do before.

For each project outcome identified, define at least one indicator that will be used to measure performance of the project against the relevant outcome and briefly explain how information on this indicator (s) shall be obtained

(c) Proposed Project Outputs

Describe the direct outputs that the project is expected to deliver. Outputs are the immediate and concrete deliverables of the implemented activities and resources used. For each project output identified, define at least one indicator that will used to track progress and the means of verification.

(d) Project Activities and Inputs

For each output identified describe the major activities that should be implemented together with the inputs or resources required to deliver the planned results. To obtain the results of a project a number of activities have to be implemented using various resources or inputs.

(e) Project Logical Framework Matrix

Narrative	Indicators	Sources/Mean of verification	Assumptions
Goal (MTP/CIDP)			
Project Objectives / Outcomes			
Key Output			
Key Activities			
NB: Add additional rows for outcomes, outputs and activities as necessary.			

SECTION 5: INSTITUTIONAL ARRANGEMENTS

(a) Institutional Mandate

Describe how the project is linked to the mandate of the institution. Briefly explain the mandate of the institution while linking it to the objectives of the project. Explain how the project outcomes will assist the institution deliver on its mandate.

(b) Management of the Project

Demonstrate the technical, managerial and financial capacity of the implementing agency to deliver the project. Describe the institutional arrangements in place within the Implementing agency that will assist in managing and

controlling the project to completion. Also describe the human resources available in the institution showing how this will be harnessed to deliver on the project. Explain how shortfall in expertise will be handled and sources of funding to do that. This can also be better expressed by showing previous experience in handling projects of the same magnitude.

(c) Project Implementation Plan

Describe the key milestones which should set clear benchmarks that can be used to measure success or failure of the project, this should include timelines, resources required, operational performance metrics and key responsible persons that can be used to track the overall project progress across the project cycle.

(d) Monitoring and Evaluation

Describe how the project will be monitored and evaluated in order to ascertain the progress towards achieving its intended objectives. Describe the M&E mechanisms in place to monitor and evaluate the project to completion. Briefly describe the resources, both budgetary and manpower, available including the sources for monitoring the project. Describe who is responsible to track the project and how data on projects will be gathered, the reporting channels within the implementing agency and how lessons learnt will be recorded, analyzed and used to improve future interventions.

(e) Risk and Mitigation Measures

Describe the potential risks that can derail the project, the likelihood of occurrence, the impact of such risks and strategies for mitigating them. A simple table in this format will be sufficient.

Risks	Likelihood/Probability (High, medium or low as categories)	Risk Impact (High, medium or low as categories)	Mitigation Strategy

(f) Project Sustainability

Describe how the project will continue providing the intended services and benefits to the beneficiaries after the project is completed. Describe how ownership will be fostered among stakeholders including:

- (i) The organization(s) that will own and operate the asset created by the project, including whether it maintains an updated asset register;
- (ii) Adequacy of the technical, managerial and financial capacity within the organizations responsible for operating and maintaining the capital asset once completed and any measures required to create that capacity where necessary; and
- (iii) Coverage of anticipated operating, maintenance and depreciation expenses once the project is completed including the sustainability of user charges.

(g) Project Stakeholders and Collaborators

Describe the stakeholders that the project has to constantly engage and their level of influence and interest among others. List all the government agencies, utilities or regulatory institutions that will need to be involved in the planning and implementation of the proposed project including any legal issues that will need to be addressed. A simple table in this format will be sufficient.

Stakeholder	Level of influence	Engagement Strategy

(h) Project Readiness

Describe how prepared the implementing agency to deliver the project by providing the following information:

- (i) Has the project preliminary and detailed designs been prepared and approved?
- (ii) Whether the land been acquired or site readiness?
- (iii) Have necessary regulatory approvals been obtained?
- (iv) What government agencies and stakeholders will be involved in the preparation of the Project and what roles they will play in project development and approval?
- (v) Have you undertaken consultations with other Government agencies in order to improve synergy and avoid duplication of effort?

If the answer is no to any of the above questions, then confirm whether this is part of the project implementation plan.

Conform whether the project can be phased or scaled down.				
(i) FINANCIAL ANALYSIS				
(j)				
A. Capital Cost (KSh.) to complete the project:				
Estimate the capital costs associated with the project as follows:				
(i) Consultancy,detailed design and legal fees:.....				
(ii) Land Aquisition Costs:				
(iii) Site Access, Preparation and Utility				
(iv) Construction				
(v) Plant and Equipment				
(vi) Fixtures and fittings:.....				
(vii) Other capital costs				
B. Recurrent Costs (KSh.) to complete the project:				
Estimate the Recurrent Costs during implementation stage.				
(i) Labour cost.....				
(ii) Operating Costs.....				
(iii) Maintenance Costs.....				
(iv) Others.....				
C. Total Project Cost Per Year				
FY 1	FY 2	FY 3	FY 4	FY 5
Total (KSh.)	Total (KSh.)	Total (KSh.)	Total (KSh.)	Total (KSh.)
D. Indicate the proposed source of financing options for the project;				
(i) Government of Kenya only				
(ii) Development partner only				
(iii) GoK and Development Partner				
(iv) Public-Private Partnership				
(v) Private Sector Only				
E. State the cost implications to other related projects				
Provide a breakdown of estimated cost for other related projects that have to be implemented in order for the benefits from the project to be realized. For this related project, is land expropriation required? (Yes / No) If <Yes> state the total expenses required to achieve this? Is compensation also required (compensation / legal costs etc.). What other costs are attendant on this?				
F. Operational Cost after implementation				
Provide estimated average annual personnel cost, annual maintenance cost, operation cost and sources of revenues where applicable. Indicate whether the operational costs can be covered completely by revenues or whether exchequer will be required to fund some operational expenses. This should be attached in detail as an annex to this PCN				
G. TORs for Prefeasibility Study				
Develop a brief terms of reference for the pre-feasibility study (for medium, large and mega project.)				

Appendix VI: Statement of Financial Position (Figures in Kenya Shillings '000):							
Details	Actual	Actual	Actual	Forecast	Budget	Projections	
	30.06.2017	30.06.2018	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
Assets							
Non - Current Assets:							
1.	Land, Buildings & Plant						
2.	Property & Equipment						
3.	Motor Vehicles						
4.	Computers						
5.	Other (Specify)						
6.	Total Non - Current Assets:						
Current Assets							
7.	Inventories						
8.	Accounts Receivables						
9.	Prepayments						
10.	Cash & Bank Balances						
11.	Others (Specify)						
12.	Total Current Assets						
13.	Total Assets						
Financed By:							
14.	Share Capital (Paid Up)						
15.	Government Grants/Irredeemable Loans						
16.	Capital Reserves						
17.	Revenue Reserves (Profit And Loss Account)						
18.	Shareholder's Funds (Total Equity)						
Non - Current Liabilities:							
19.	Long Term Borrowings						
20.	Non-Current Creditor (Specify)						
21.	Total Non-Current Liabilities						
Current Liabilities:							
22.	Accounts Payable						
23.	Short Term Borrowings						
24.	Statutory Obligations (Specify)						
25.	Others						
26.	Total Current Liabilities						
27.	Total Equity & Liabilities						
Ratios							
28.	(i) Current Ratio						
	(ii) Debt To Assets Ratio*						
	(iii) Total Assets Turnover*						
	(iv) Return On Assets*						

NB: (i) Provide a brief trend analysis/explanatory notes for any movement in each of the balance sheet item during the review period.

(ii) * Commercial entities only.

APPENDIX VII Cash Flow statement (Figure in Kenya Shillings '000):

Details	Actual	Forecast	Budget	Projections	
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Cash flows from Operating Activities:					
1.	Operating Surplus / Net Income				
2.	Add back depreciation				
3.	Decrease (Increase) in receivables				
4.	Decrease (increase) in inventories				
5.	Increase (Decrease) in payables				
6.	Interest paid				
7.	Corporation tax paid				
8.	Net cash from operating activities				
Cash flows from Investing Activities:					
9.	Purchase of Non - Current Assets				
10.	Interest Received				
11.	Proceeds from Sale of Non - Current Assets				
12.	Net Cash generated from (Used in) Investing Activities				
Cash Flows from Financing Activities:					
13.	Repayment of Long Term Borrowings				
14.	Proceeds from Long Term Borrowings				
15.	Dividends Paid				
16.	Net Cash generated from (Used in) Financing Activities.				
17.	Increase (Decrease) in Cash & Cash Equivalents				
18.	Cash & Cash Equivalents at Beginning of Year				
19.	Cash & Cash Equivalents at End of Year				
20.	Overdraft Limit (As Approved by Government)				

APPENDIX VIII: Schedule of Investments of Surplus Funds (Figures in Kenya Shilling '000):				
Details		Actual 30.06.2019	Forecast 30.06.2020	Budget 30.06.2021
1.	Investment in Treasury Bills or Bonds			
	(i)			
	(ii)			
	(iii)			
	Sub Total			
2.	Investment with Financial Institutions (name each institution)			
	(i)			
	(ii)			
	(iii)			
	Sub Total			
3.	Other Forms of Investment (Specify)			
	(i)			
	(ii)			
	(iii)			
	Sub Total			
4.	Grand Total			

APPENDIX IX: Details of all Bank Accounts			
No.	Financial Institutions/Banks	Facility	Bank Balance as at December 31st, 2019.
1.		Current Account	
		On – Call Deposits Account	
		Fixed Deposits Account	
		Staff Car Loan/ Mortgage Account	
		Others (Specify)	
2.		Current Account	
		On- Call Deposits Account	
		Fixed Deposits Account	
		Staff Car Loan/ Mortgage Account	
		Others (Specify)	
3.	Others (Specify)		

NB: State Corporations should provide details of all Financial Institutions/Banks where the Corporation has opened and operates bank accounts clearly indicating whether it is a Current Account; On–Call Deposits Account; Fixed Deposits Account; Staff Car Loan/Mortgage Account, etc.

APPENDIX X Status of Staff Pension Contribution

Details/Period		2017/2018 KSh. '000'	2018/2019 KSh.'000'	2019/2020 KSh.'000'	Remarks
1.	Contributions:	Employees			
		Employer			
	Total contributions due				
2.	Payment/Remittances:	Employers			
		Employees			
	Total payments /Remittances				
3.	Remittances Outstanding				

NB: State Corporations should provide the above required details plus the reasons for non-remittance of the staff pension contributions. Further, they should indicate the proposed measures to clear the arrears.

Annex I – Check List

1. Statement of Total Funds - **Appendix I.**
2. Statement of Financial Performance for Not for Profit State Corporations -**Appendix IIa.**
3. Statement of Financial Performance for commercial State Corporations - **Appendix IIb.**
4. Statement of itemized revenues and expenditures **Appendix III.**
5. Capital Budget - **Appendix IV.** This must be harmonized with **Annex 7** (Project Details for FY 2020/2021 and Medium- Term Projections) which has already been submitted to the National Treasury and Planning through the Line Ministry in preparation of the Medium-Term Budget for the period 2020/21-2022/23.
6. Project Concept Note **Appendix V.**
7. Statement of Financial Position - **Appendix VI.**
8. Cash flow Statement - **Appendix VII.**
9. Schedule of Investments of Surplus Funds, if any - **Appendix VIII.**
10. Details of bank accounts and balances therein - **Appendix IX.**
11. Status of staff Pension Contribution - **Appendix X.**
10. Concise explanatory notes to the Annual Budgets (*should be placed at the relevant statement*).
11. An extract of the Board minutes approving the annual budget (*should include a copy of the list of members present for the meeting*).
12. In the case of State Corporations to be funded from the National Budget, a letter from the line ministry confirming the agreed funding levels for both recurrent and development budget as per the line Ministry's ceiling.
13. Dividends policy approved by the Board.
14. Repayment schedule on GOK loans and outstanding arrears if any.

Annex II: Deadlines for Submissions of FY 2020/2021 Annual Budget and the 2021/2022 - 2022/2023 Projections

Submission of FY2020/2021 Annual Estimates of Revenue and Expenditure (Budget Proposals) and projections for FYs 2020/2021-2021/2022 by State Corporations to the line Ministry with a copy to the National Treasury and Planning.	January 31st, 2020
Submission of Recommendations by line Ministries to the National Treasury and Planning, with specific comments and recommendations, for each State Corporation (<i>Chief Executive Officers of State Corporations should follow up with their line Ministries to ensure that this timeline is met</i>).	February 8th, 2020
Review and Analysis of the Annual Budget Proposals and the projections by the National Treasury and Planning.	February 8th – April 14th, 2020
Dispatch of Approved Annual Budgets to Ministries by the National Treasury and Planning.	April 15th, 2020
Submission of Annex of Annual & Medium-Term Budgets for FY 2020/2021 - 2022/2023 for State Corporations to the National Assembly by the National Treasury and Planning.	April 30th, 2020

