



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

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Ref. DGIPE/A/1/10

Date: 27th March, 2024

NATIONAL TREASURY CIRCULAR NO.2/2024

To: All Principal Secretaries/Accounting Officers

All Chief Executive Officers of State Corporations

POLICY MEASURES TO ENHANCE STATE CORPORATIONS' REVENUE GENERATION AND EXPENDITURE RATIONALIZATION IN LINE WITH THE GOVERNMENT'S FISCAL CONSOLIDATION EFFORTS

- 1.0 This is further to the National Treasury Circular No. 13/2023 dated 13th December, 2023 on guidelines for budget preparation.
- 2.0 As you are aware, the Government is desirous of undertaking fiscal consolidation geared towards enhancing revenues and expenditure control. This is important to ensure that there are adequate resources for the provision of critical Government services and implementation of Government priority projects.
- 3.0 All Ministries, Departments and Agencies (MDAs) including State Corporations should ensure prudent and responsible utilization of public resources as provided for in the Constitution and other relevant laws. In tandem with Government efforts to reduce budgetary pressure by State Corporations, enhance efficiency, ensure they are self-sustaining, and generate additional revenue for the National Exchequer, State Corporations should:
 - i. ensure all revenues due to the Corporation are collected, accounted for and reported; and
 - ii. reduce expenditures.

In this regard:

- i. Every State Corporation should re-submit its 2024/2025 FY recurrent expenditure budget which has been rationalized to a level that is **not more than 70% of the approved 2023/2024 FY budget**. All submitted 2024/2025 FY budgets by State Corporations have been reverted to respective Corporations for rationalization and should be **re-submitted** through GIMIS by **2nd April 2024**;
- ii. With effect from the date of this Circular, State Corporations **should NOT implement new Projects without fresh written approval from the National Treasury**;
- iii. All commercial State Corporations should provide 80% of profit after tax for payment of dividends beginning 2023/2024 FY. The dividend policies should be revised accordingly;
- iv. All regulatory authorities should remit 90% of surplus funds as provided for in law. Regulatory authorities should remit to the Consolidated Fund the surplus funds immediately after the draft financial statements are submitted to the Auditor General;
- v. With effect from the date of this Circular, all monies generated or received over and above the approved revenue budget should not be spent. Consequently, any revision of the approved expenditure budget regardless of whether or not it is less than 10% OR from one sub-item to another is disallowed;
- vi. No State Corporation should fund operations or purchase of capital items for Ministries, Departments, State Corporations and Agencies;
- vii. No State Corporation shall pay for individual or corporate club membership fee or annual subscriptions with effect from the date of this Circular;
- viii. All Board Expenses including payment of sitting allowances, daily subsistence, training, domestic & foreign travel, and reimbursement for use of personal cars among others should be expensed from the approved Board expenses budget. It is irregular for any State Corporation to expense any Board activity to other Votes other than from the approved Board expenses budget;
- ix. Payment of subsistence allowance and reimbursement for use of personal cars can only be made to a Director who will be required to travel and spend a night away from his/her declared residence while attending a Board activity; and

x. The directives communicated via Government Circular, Ref. EOP/CAB.26/4A/VOL.III/(141) dated 18th March 2024, are hereby reiterated, namely all State Corporations are required to:

- a. suspend and immediately cease the procurement, printing and production of corporate wear, including but not limited to T-shirts, shirts, tracksuits, and any other branded items; and,
- b. suspend and immediately cease the purchase of promotional merchandise such as calendars, diaries, umbrellas, power banks,
- c. key holders, bags, flasks, cups, branded traditional blankets/ “shukas”, notebooks and any other promotional materials.

4.0 In efforts to embrace technology in the provision of Government services, the Government has designed, developed and operationalized digital platforms to enhance service delivery. Among them are: E-Citizen for revenue collection and the Government Investments Management Information System (GIMIS) for budget submission and reporting. However, it has been noted that some Ministries, State Departments and State Corporations are not in compliance and continue collecting revenue outside of E-Citizen and submitting information in hard copies.

5.0 With effect from the date of this Circular, State Corporations are required to:

- i. Onboard all revenue collections into the E-Citizen platform; and
- ii. Update and submit, through the GIMIS, the corporate information, audited financial statements, monthly bank balances, accounts payable (pending bills) & accounts receivable, quarterly management accounts and project implementation status.

All Principal Secretaries, Accounting Officers/Chief Executive Officers of State Corporations are required to bring the contents of this Circular to their respective Boards of Directors and Councils, and ensure compliance.



NJUGUNA NDUNG’U, EGH
CABINET SECRETARY

Copy to: All Cabinet Secretaries

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The Inspector-General Corporations
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