



COUNTY GOVERNMENT OF ELGEYO MARAKWET

THE COUNTY TREASURY

**COUNTY BUDGET REVIEW AND OUTLOOK PAPER
(CBROP)**

SEPTEMBER 2015

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FOREWORD

The County Budget Review and Outlook Paper (CBROP) is one of the budget policy documents that enhance financial discipline and fiscal responsibilities within the county's financial management framework as provided for in the Public Finance Management Act (PFM) Act 2012. The CBROP presents the fiscal outcome for the most previous Financial Year and how these outcomes affect financial objectives set out in that year's County Fiscal Strategy Paper (CFSP).

Consequently, this 2015 CBROP being the third after the enactment of devolved governance presents the fiscal framework which provides a strong basis for building a common future under the new constitutional dispensation regarding Fiscal discipline and accountability.

Fiscal discipline will seek to ensure that the county's development entities are able work towards improving the residents' livelihoods by instituting mechanisms that enhances financial efficiency, effectiveness and economy. The county is committed to maintain the trend of economic growth and development as desired by the residents. Towards this end, the county will always strive to ensure that there is transparency and accountability by providing feedback on the county's performance indicators as required by the Constitution and the Public Finance Management Act.

Based on this backdrop, this CBROP has been prepared so as to present a review of the fiscal performance for 2014/15 Financial Year.

This document is organized into five chapters. Chapter one highlights the legal justification and objectives of CBROP. In Chapter reviews the review of fiscal performance for 2014/15 fiscal year. Chapter three explains the recent economic developments and outlook. Chapter four details the resource allocation framework for 2014/15 fiscal year. Chapter five is the conclusion and recommendations

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This second County Budget Review and Outlook Paper (CBROP) was prepared with the support and generous contribution of many individuals and entities. The county would thus like to appreciate the role played by these individuals and institutions

A core team of officers comprising mainly of the staff at the Economic Planning and Budget Units undertook the process of preparing this CBROP document. These officers led by Mr. John Maritim, the Head of Economic Planning Unit and Mr. John Keen, the Head of Budget supported by Accountants based at the Budget Unit; Mr. David Michoti and Samwel Kibirong spent a significant time collecting, collating, designing and compiling this document. Mr. Titus Kosgey and Felix Kipngetich from the Planning Unit also contributed immensely to the success of the document

This core team undertook the preparation task with the guidance of Mr. Shadrack Chelimo and Mr. Jeremiah Changwony who are the Finance and Economic Department's County Executive Committee member (CEC) and Chief Officer respectively. This is therefore to extend the county's gratitude to them and all others who were involved in the CBROP preparation process

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ABBREVIATIONS AND ACRONYMS

CBROP	County Budget Review and Outlook Paper
CEC	County Executive Member
CFSP	County Fiscal strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
CRA	Commission on Revenue Allocation
FY	Fiscal Year
GDP	Gross Domestic Product
LATF	Local Authority Transfer Fund
MTEF	Medium-Term Expenditure Framework
PFMA	Public Financial Management Act
TA	Transition Authority

CHAPTER ONE

1 LEGAL FRAMEWORK AND OBJECTIVES FOR CBROP

The County Budget Review and Outlook Paper (CBROP) is in compliance with Section 118 of the Public Finance Management (PFM) Act. The Act states that each County Treasury;

- Shall prepare a County Budget Review and Outlook Paper in respect of the county for each financial year; and
- Submit the paper to the County Executive Committee by the 30th September of each year

The law requires CBROP to present the fiscal outcome for the previous financial year and to state how this outcome affects the financial objectives contained in that year's County Fiscal Strategy Paper (CFSP).

The main objectives of a CBROP are to specify;

- The details of the actual fiscal performance in the previous year compared to the budget appropriation for that year;
- The updated economic and financial forecasts in relation to the changes from the forecasts in the most recent County Fiscal Strategy Paper (CFSP);
- Any changes in the forecasts compared with the CFSP;
- How actual financial performance for the previous financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year; and
- Reasons for any deviation from the financial objectives in the CFSP together with proposals to address the deviation and the time estimated for doing so.

The CBROP is expected to provide a summary of the national macroeconomic outlook and how this will affect the County's economic performance. The key macro-economic indicators are, however, not currently available at the county level thereby making it difficult to provide county macro-economic statistics for analytic purposes

The above statistics would partly provide the basis for the revision of the Financial Year 2014/15 budget in the context of the Revised Budget, as well as setting out the broad fiscal parameters for the next budget and medium term. The fiscal framework presented in this document provides a strong basis for building our common future under the current constitutional dispensation. The paper also presents an overview of budget financing sources that includes revenue and grants. In the last section of the document, the paper offers some conclusions and the way forward

CHAPTER TWO

2 REVIEW OF FISCAL PERFORMANCE IN 2014/15

This section is meant to review how the actual financial performance for the 2014/15 financial year may have affected compliance with the fiscal responsibility principles, or the financial objectives in the CFSP for that financial year.

2.1 OVERVIEW

In line with the Constitution, the Public Financial Management (PFM) Act, 2012, sets out fiscal responsibility principles to ensure prudence and transparency in the management of public resources. The PFM law (Section 15) states that:

- 1) Over the medium term, a minimum of 30% of the county budget shall be allocated to development expenditure
- 2) The county government's expenditure on wages and benefits for public officers shall not exceed a percentage of the county government's revenue as prescribed by the regulations
- 3) Over the medium term, the county government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure
- 4) Public debt and obligations shall be maintained at a sustainable level as approved by county assembly
- 5) Fiscal risks shall be managed prudently
- 6) A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future

The fiscal performance in 2014/15 was generally satisfactory, despite the challenges faced with regard to late disbursements of Health Sector Support Funds (HSSF) slowing down onward transmission of the same to their respective Health Facilities.

2.1.1 2014/15 Fiscal Performance

Table 1 and 2 below present the fiscal performance for the FY 2014/15 for revenue and expenditure. The total cumulative revenue collection from local sources for the period between July 2014 and June 2015 was Kshs. 113,138,315 compared to a target of Kshs. 132,000,000 that had been projected to be

collected in the same period. This represents a deviation of 14.2% of revenue collection. The county received Kshs. 2,853,525,879 as disbursements from National Government

REVENUE

Table 1: Revenue Collections for 2014/2015

Revenue Type	Target (Approved)	Actual	Deviation in Kshs	Deviation in %
Game Park Fees	0	0	-	
Animal Stock Sale Fees	2,446,006	2,136,880	309,126.0	13
Produce & Other Cess	31,563,556	29,817,118	1,746,438.0	6
Single Business Permit	13,807,204	11,120,794	2,686,410.0	19
Plot Rent/ Rates	4,516,280	2,170,345	2,345,935.0	52
Bus park/ motorbikes	3,500,000	3,732,545	(232,545.0)	(7)
Trade Application	1,500,000		1,500,000.0	100
Slaughter fees	1,200,000	1,413,665	(213,665.0)	(18)
House/stall/ground	510,000	2,307,950	(1,797,950.0)	(353)
Conservancy	400,000	374,220	25,780.0	6
Plan approval	167,700	394,400	(226,700.0)	(135)
Clearance	74,210		74,210.0	100
Hides and Skins	100,005		100,005.0	100
Promotion/advert	822,900	997,070	(174,170.0)	(21)
Tender Document	60,000		60,000.0	100
Hire of Grater	2,005,380	6,000	1,999,380.0	100
Industrial rates	-	-	-	
Trade (weights \$ measures)	500,000	74,440	425,560.0	85
Tourism	5,000,000	117,500	4,882,500.0	98
Agriculture	-	5,016,540	(5,016,540.0)	
WATER/LANDS /HOUSING/CO-OP.	2,000,000	1,608,270	391,730.0	20
Health Services (liquor license fees)	1,000,000	7,953,110	(6,953,110.0)	(695)
Market Fees & Others	3,500,000	4,340,280	(840,280.0)	(24)
Youth affairs and sports	500,000	49,000	451,000.0	90

FIF funds	49,672,495	32,111,685	17,560,810.0	35
Rolled over funds (B/F)	785,247,426	785,247,426	-	-
Fines	300,000	286,188	13,812.0	5
VSD funds	5,000,000		5,000,000.0	100
OTHERS	1,854,264	7,110,315	(5,256,051.0)	(283)
TOTAL LOCAL REVENUE	917,247,426	898,385,741	18,861,685.0	2
Central Government Transfers (CRA Share)	2,845,235,405	2,853,525,879	(8,290,474.0)	(0)
DANIDA HSSF	18,420,000	18,420,000	-	-
GRAND TOTAL (REVENUE)	3,780,902,831	3,770,331,620	10,571,211.0	0

Table 1: Expenditure (Aggregate FY 2014/2015)

	DEPARTMENT	RECURRENT	DEVELOPMENT	TOTAL	ACTUAL	DEVIATION (SAVINGS) IN KSHS	DEVIATION IN %
		(BUDGETED)	(BUDGETED)	(BUDGETED)			
1	OFFICE OF THE GOVERNOR/DG	146,951,792	70,684,932	217,636,724	191,799,429	25,837,295	11.87
2	ADMINISTRATION	66,791,057		66,791,057	64,965,136	1,825,921	2.73
3	COUNTY ASSEMBLY	328,372,997	55,193,265	383,566,262	364,168,608	19,397,654	5.06
4	FINANCE & ECONOMIC PLANNING	164,757,314	19,823,213	184,580,527	177,942,892	6,637,635	3.60
5	ROADS, PUBLIC WORKS & TRANSPORT	45,377,027	439,779,964	485,156,991	466,830,089	18,326,902	3.78
6	YOUTH, SPORTS, CULTURE, GENDER	27,603,326	97,107,414	124,710,740	67,015,925	57,694,815	46.26
7	EDUCATION & T.TRAINING	169,452,827	175,373,970	344,826,797	243,775,842	101,050,955	29.30
8	HEALTH SERVICES	918,454,411	209,507,473	1,127,961,884	1,171,271,404	(43,309,520)	(3.84)
9	LANDS, HOUSING, PHYSICAL PLANNING	17,531,094	63,200,860	80,731,954	62,533,306	18,198,648	22.54
10	TRADE, TOURISM, CO-OPERAT. DEVELOP.	35,327,161	56,405,090	91,732,251	81,479,037	10,253,214	11.18
11	WATER, IRRIGATION, & ENVIRONMENT	27,754,094	169,940,603	197,694,697	148,727,517	48,967,180	24.77
12	AGRICULTURE	175,153,867	123,781,304	298,935,171	271,918,948	27,016,223	9.04
13	COUNTY PUBLIC SERVICE BOARD	42,472,676		42,472,676	40,522,853	1,949,823	4.59
14	I.C.T. & PUBLIC SERVICE	119,501,404	14,627,075	134,128,479	135,380,930	(1,252,451)	(0.93)
	TOTALS	2,285,501,047	1,495,425,163	3,780,926,210	3,488,331,916	292,594,294	8.0

Total expenditure for the period under review amounted to Ksh 3,488,331,916 against budgeted target of Kshs. 3,780,926,210, representing an under spending of Ksh. 292,594,294 (or 8 percent deviation from the revised budget). However, the deviation represented the committed funds as at the close of financial year and could not be spend after the IFMIS system was closed down, hence the same were rolled over to the financial year 2015/2016 to be spend on the committed expenditures.

**Table 2: Expenditure on Recurrent
FY 2014/2015**

DEPARTMENT	Target (Approved)	Actual	Deviation (Savings) in Kshs	Deviation in %
OFFICE OF THE GOVERNOR/ DEPUTY GOVERNOR	146,951,792	141,706,350	5,245,442	4
ADMINISTRATION	66,791,057	64,965,136	1,825,921	3
COUNTY ASSEMBLY	328,372,997	327,481,857	891,140	0
FINANCE & ECONOMIC PLANNING	164,757,314	161,130,021	3,627,293	2
ROADS, PUBLIC WORKS & TRANSPORT	45,377,027	43,006,808	2,370,219	5
EDUCATION	169,452,827	167,788,393	1,664,434	1
YOUTH, SPORTS, CULTURE, GENDER	27,603,325	26,261,286	1,342,039	5
HEALTH SERVICES	918,454,411	1,008,234,304	(89,779,893)	(10)
LANDS, HOUSING, PHYSICAL PLANNING	17,531,094	17,486,074	45,020	0
TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	35,327,161	34,793,362	533,799	2
WATER, IRRIGATION, & ENVIRONMENT	27,754,094	33,859,727	(6,105,633)	(22)
AGRICULTURE	175,153,867	170,758,535	4,395,332	3
COUNTY PUBLIC SERVICE BOARD	42,472,677	40,522,853	1,949,824	5
I.C.T. & PUBLIC SERVICE	119,501,403	124,901,798	(5,400,395)	(5)
TOTALS	2,285,501,046	2,362,896,504	(77,395,458)	(8)

Table 3: Expenditure on Development

DEPARTMENT	Target (Approved)	Actual	Deviation (Savings)	Deviation in %
OFFICE OF THE GOVERNOR/ DEPUTY GOVERNOR	70,684,932	50,093,079	20,591,853	29.13
ADMINISTRATION				
COUNTY ASSEMBLY	55,193,265	36,686,751	18,506,514	33.53
FINANCE & ECONOMIC PLANNING	19,823,213	16,812,871	3,010,342	15.19
ROADS, PUBLIC WORKS & TRANSPORT	439,779,964	423,823,281	15,956,683	3.63
EDUCATION, YOUTH, SPORTS, CULTURE, GENDER	175,373,970	75,987,449	99,386,521	56.67
YOUTH,SPORTS,CULTURE &SOCIAL SERVICES	97,107,414	40,754,639	56,352,775	58.03
HEALTH SERVICES	209,507,473	163,037,100	46,470,373	22.18
LANDS, HOUSING, PHYSICAL PLANNING	63,200,860	45,047,232	18,153,628	28.72
TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	56,405,090	46,685,675	9,719,415	17.23
WATER, IRRIGATION, & ENVIRONMENT	169,940,603	114,867,790	55,072,813	32.41
AGRICULTURE	123,781,304	101,160,413	22,620,891	18.27
COUNTY PUBLIC SERVICE BOARD				
I.C.T. & PUBLIC SERVICE	14,627,075	10,479,132	4,147,943	28.36
TOTALS	1,495,425,163	1,125,435,412	369,989,751	24.74

Development expenditure was Ksh 1,125,435,412 compared to a target of Kshs.1, 495,163. This represented an under-spending of 369,989,751 Ksh (or 24.74 percent deviation from the approved development expenditure). However, the same funds had been committed as explained under Table 2 above to be spend through the first supplementary budget for FY 2015/2016

2.1.2 Overall balance and financing

In the 2014/15 fiscal year, the county heavily relied on central government revenue share to counties since it did not meet its projected local revenue collection as highlighted in table 1. The County's budget was a balanced one and that there was no borrowing by the county in line with medium term provisions of PFM Act 2012.

2.2 Implication of 2014/15 Fiscal Performance

Implication of 2014/15 Fiscal Performance on fiscal responsibility principles and financial objectives contained in the 2015 County Fiscal Strategy Paper (CFSP)

- a) The performance in the FY 2014/15 has affected the financial objectives set out in the February 2014 County Fiscal Strategy Paper (CFSP) and the Budget for FY 2014/15 in the following ways: (i) the base for revenue and expenditure projections has changed implying the need for adjustment in the fiscal aggregates for the current budget; and
(ii) To take into account the slow take off of budget execution of the FY 2015/16 budget by Departments, the baseline ceilings for spending entities will be adjusted and then firmed up in the next County Fiscal Strategy Paper (CFSP) in February 2015
- b) Accordingly, the revenue projections will remain in line with the initial macroeconomic assumptions taking into account the revised revenue and expenditure base. Consequently, the budget ceilings provided in the CFSP 2015 will reflect the macroeconomic forecast. However, taking into account that the key macro variables remain as projected in the CFSP 2015, there will be adjustments to the ceilings
- c) The overall revenue underperformance in 2014/15 has implications in the base used to project the revenue for these revenue items in the FY 2015/16. Therefore, in updating the fiscal outlook the new base has been taken into account. In addition; effects, that may emanate from the recently submitted Finance Bill 2015 is expected to boost revenue through improving efficiency in revenue administration as well as ease compliance by revenue payers
- d) The under-spending in both recurrent and development budget for the FY 2014/15 additionally has implications on the base used to project expenditures in the FY 2015/16. Appropriate revisions have been undertaken in the context of this CBROP, taking into account the budget outturn for 2014/15
- e) The county will not deviate from the fiscal responsibility principles, but will make appropriate modifications to the financial objectives contained in the CFSP 2015 to reflect the changed circumstances
- f) Measures to revamp productive sectors of the county through various initiatives are expected to add impetus to our county's growth prospects. Meanwhile, collaborative and cooperative frameworks which have been instituted by the county is expected to promote private sector investments through Public Private Partnerships thus stimulating growth

CHAPTER THREE

3 RECENT ECONOMIC DEVELOPMENTS AND OUTLOOK

3.1 Macroeconomic Outlook

The county's performance is largely dependent on the formulation and implementation of prudent policies to guide service delivery and the country's economic performance. Recent developments in the key macroeconomic variables are encouraging. Growth in real GDP remains resilient but downside risks remain. Overall inflation increased slightly during the 2nd half of 2013/2014 on account of upward revisions in local pump prices and food items as well as the CPI base effects. Short term interest rates declined, consistent with the easing of monetary policy stance. In particular, the uptake of bank credit by the private sector increased by 13.5 per cent in the twelve months to July 2013 compared to 16.7 per cent target. The Kenya Shilling exchange rate has stabilized against major world currencies following increased short term capital inflows and remittances

3.1.1 Growth Prospects

The Country's economy is projected to grow by 5.1 per cent in 2015. Medium term prospects are stronger, with the growth in Gross Domestic Product (GDP) projected to improve to around 6 per cent. Growth will be augmented by production in agriculture following receipt of adequate rains, value addition in agriculture, completion of key infrastructure projects (such as roads and energy), and other initiatives geared towards exports promotion

Domestic demand is expected to be robust following increased investor confidence. Despite the increase in inflation in the recent past, inflation is expected to revert back to target of 5 percent with a 2.5 percent band in the medium term. Stability in interest rates and exchange rates is expected to promote access to credit for private sector and boost investments and consumption to stimulate growth. Continued improvements and stability in the macroeconomic variables will ensure the county operates in a stable economic environment.

3.2 Implementation of 2015/2016 Budget

Implementation of 2015/2016 budget started slowly due to delayed disbursements from the national treasury coupled with challenges in the implementation of Procurement Plan through IFMIS E-PROCUREMENT Platform. This has now been addressed and County Government operations are continuing well. To date, the county has spent Kshs 249,698,322- out of the budgeted Kshs 2,519,928,833 recurrent estimates.

Revenue collection was Kshs 16,978,887 in the first two months of 2015/2016 fiscal year against a target of 149,980,000, thus revenue collection was below target by Ksh 133,001,113 in the first two months of the 2014/2015 fiscal year.

3.3 Medium Term Fiscal Framework

The county will continue to pursue prudent fiscal policy to ensure economic stability which support economic activities while allowing for implementation of programmes within sustainable public finances.

With respect to revenue, the County Government hopes to improve revenue collections estimated to be 149,980 in the first and second half of 2015/2016 fiscal year. Measures to achieve this effort include improved tax compliance with enhanced administrative measures, recruitment of additional revenue staff and sealing of loopholes in revenue collection. The county will also widen the tax base and review all levies and charges in the proposed 2015 finance bill in order to simplify and modernize them.

The county Government will develop a comprehensive policy and legislative framework covering licensing, revenue sharing, taxation and sustainable use of the natural resources and tourism endowments. This will ensure that we derive maximum benefit from county parks, mining activities, sports tourism (training and paragliding) and heritage sites including conservancies, Rimoi game reserve among others

On the expenditure side, the County Government will continue with rationalization of expenditure and expediting of requisite procurement processes to improve efficiency and reduce wastage. Expenditure management will be strengthened with adoption of the Integrated Financial Management Information System (IFMIS) across the county level. County human resources rationalization will receive greater attention to an extent that the IPPD payroll for the County Assembly has been detached from the Executive thus creating an autonomy of the County Assembly. Going forward, implementation pace in the spending units will be monitored. These will inform appropriate measures to be taken in the context of the next budget process.

3.4 Fiscal Risks to the Outlook

The macroeconomic management and performance of most of the sectors at the National level have a ripple effect on how some sectors in the county will perform. The risks to the outlook for 2015/16 and the medium-term include continued weak growth in advanced economies that will impact

negatively on our exports and tourism activities. Further, geopolitical uncertainty on the international oil market will slow down the productive sectors of the economy and may increase inflation.

The county revenue projections are subject to a number of general risks that can affect collections. These include resistance that may arise from County Finance Bill, 2015, tax evasion and avoidance, weak revenue administrative structures and significant fluctuations in major revenue sources due to changes in the economic environment. These challenges may result in a significant deviation from revenue projections and consequently lead to huge unfunded budget deficits.

Other fiscal risks also include potential natural disasters due to unfavorable weather conditions, crop failure due to maize lethal necrosis, terrorist threats causing decline in tourist arrivals and the uncertainties in the release of county funds. Such occurrences have in the past resulted in unexpected increases in expenses which disrupt the planned execution of the budget. Should these risks materialize; the County government in consultation with the National government will undertake appropriate measures to safeguard macroeconomic stability.

3.5 Summary of Sectoral Priorities

Development initiatives that will be implemented in the coming Fiscal Years are contained in the County Integrated Development Plan (CIDP) whose development proposals were identified by stakeholders through a consultative process. All the sectors in the county had priority development proposals identified. These proposals will drive budget process for the county in the respective sectors.

However, in striving to fill the resource gaps for the achievement of strategic priorities the county has put emphasis on mechanisms that encourages Public Private Partnerships (PPP) and donor cooperation and collaboration in the county's development approaches

CHAPTER FOUR

4 RESOURCE ALLOCATION FRAMEWORK

4.1 Adjustment to 2015/16 Budget

Given the performance in FY 2014/15, the updated economic outlook and risks to the FY 2015/16 budget, expenditure pressures pose a fiscal risk and adjustments are inherent. The aforementioned risks will be monitored closely, analysed keenly and the County Government would take appropriate measures by analyzing cause and effect hence realize value for money and ensure service delivery.

The ongoing process of county restructuring, recruitment and rationalization of staff is expected to exert pressure on wage expenditures. Expenditure pressures with respect to salary demand of devolved functions continue to persist, and so are operational demands for Departments. This is compounded, for instance, by the recent, nurses and ward administrators; which has added more weight to the county's burgeoning wage bill. The recruitments affected Departments of Health and Administration among others.

Adjustments to the 2015/16 budget will take into account actual expenditure incurred so far and absorption capacity in the remainder of the financial year. This calls for rationalization of expenditures and may include slowing down and/or reprioritizing development and operational expenditures in order for the Government to live within its means. This calls for efficient Monitoring and Evaluation of projects and programmes, including close observation of expenditure trends, which will greatly inform the decisions to be made in the next Supplementary Budget.

Implementation pace in the spending units continues to be a major challenge especially with regard to the delayed disbursement of funds, hence interference with implementation of programmes and projects. This is further worsened by the pending court ruling, which has delayed the approval of FY 2014/2015 budget.

For disaster response purposes, contingency fund has been set aside as a pool resource under the Governor's Office. Utilization of the funds will be within the criteria specified in PFM Act 2012.

On the Revenue side, the County Treasury is expected to institute corrective measures to reverse the revenue loss from local sources and enhance revenue collection. This will boost the available resources, broaden the revenue base and aid in execution of functions and service delivery to County residents

4.2 Medium-Term Expenditure Framework

Elgeyo Marakwet County MTEF approach consists of a bottom-up estimation of the current and medium-term costs of existing policy and, ultimately, the matching of these costs with available resources in the context of the annual budget process. The MTEF budgeting will thus entail adjusting non-priority expenditures to cater for the priority ones.

The priority social sectors, education and health, will continue to receive adequate resources though they are required to utilize the allocated resources more efficiently to generate fiscal space to accommodate other strategic interventions in their sectors. Another crucial social sector is Youth Affairs, Sports, Culture, Gender and Children

The county is highly talented in athletics and the sector needs massive investments so that county's sporting potential is realized. During the period under review, Kamariny stadium for instance will be upgraded to high standards so that athletes and other sportsmen can have state of the art facility for their training purposes and subsequent excellence, both nationally and internationally.

The economic sectors such as agriculture will receive increasing share of resources to boost agricultural productivity and initiating value addition ventures as the county deals with threats of food insecurity and poor market returns for agricultural produce. For expansion of agricultural activities, Irrigation sub-sector will receive a large share of resources in the medium term period. Another sector that will receive a sizable share of resources is Trade, Tourism & Co-Operative Development. This will aid the county to tap into its tourism potential, the greater emphasis being Rimoi Game Reserve in this period.

With the County Government's commitment to improving infrastructure across the county, the share of resources going to priority physical infrastructure sector, such as roads and water, will rise over the medium term. This will spur the county's economic growth because no meaningful economic activity can be carried out without reliable physical infrastructure. Further, implementation by the spending units will be monitored closely especially with regard to the development expenditures and uptake of resources. This requires a highly efficient and effective monitoring and evaluation by the county government.

All the other sectors will continue to receive adequate resources in line with our county's commitment to a balanced sector development so as to ensure socio-economic welfare and enhanced quality of life for the residents of the county

4.3 2015/16 Budget framework

Table 4: Revenue projections for 2016/17

		Projections.	Projections.	Projections.
	Revenue Type	F/Y 2014/2015	F/Y 2015/2016	F/Y 2016/17
1	Animal stock sale fees	2,446,006	2,557,895	3,248,527
2	Produce & Other cess	31,563,556	33,007,390	41,919,385
3	Single Business Permit	13,807,204	14,438,797	18,337,272
4	Plot rent/Rates	4,516,280	4,722,871	5,998,046
5	Bus park/motor bikes fees	3,500,000	3,660,103	4,648,331
6	Trade applications fees	1,500,000	1,568,616	1,992,142
7	Slaughter fees	1,200,000	1,254,892	1,593,713
8	House rent/Stall/Ground.	510,000	533,329	677,328
9	Conservancy fees	400,000	418,297	531,237
10	Plan approval fees	167,700	175,371	222,721
11	Clearance fees	74,210	77,605	98,558
12	Hide & skins	100,005	104,580	132,817
13	Promotion/advert	822,900	860,542	1,092,888
14	Tender Document	60,000	62,745	79,686
15	Hire of Grater & other machinery	2,005,380	2,097,114	2,663,335
16	Trade	-	92,182	117,071
17	Fines	300,000	313,723	398,428
18	FIF funds	49,672,495	51,944,699	65,969,768
19	VSD funds	5,000,000	5,228,719	6,640,473
20	Liquor license application	1,000,000	1,045,744	1,328,095
21	Water Department	2,000,000	2,091,487	2,656,188
22	Health services	-	12,006,510	15,672,096

23	Youth affairs and sports		500,000	52,287	66,404
24	Agriculture		-	2,500,000	3,500,000
25	Lands		-	100,000	150,000
	Housing		-	500,000	600,000
	Weights and measures		500,000	522,872	664,047
	Tourism		5,000,000	2,442,442	2,490,473
	Market fees & others		3,500,000	3,660,103	4,048,331
	OTHERS		1,854,264	1,939,085	2,462,638
	TOTAL LOCAL REVENUE		132,000,000	149,980,000	190,500,000
	Central Government Transfers (CRA Share)		2,845,235,405	3,191,548,394	3,702,196,137
	Conditional Grants	DANIDA HSSF	18,420,000	20,800,000	-
		WORLD BANK HSSF	-	20,179,116	-
		Free maternal health		43,409,840	
		Leasing of medical equipment		95,744,681	
		Support to abolishment of user fees in health centers and dispensaries		8,624,640	
		Road Maintenance Fuel Levy Fund		41,545,473	
		Establishment of County Emergency Fund		93,617,021	
	TOTAL		2,995,655,205	3,665,449,165	3,702,196,137

Table 5: Expenditure Forecasts for 2016/17

	Department	Recurrent Estimates			Development	Total Estimates.
		Compensation to Employees	Total O & M	Total Recurrent		
1	Office of The Governor	51,093,869	13,426,311	69,969,676	13,000,000	82,969,676
2	Administration	17,646,591	2,972,021	21,602,472	0	21,602,472
3	County Assembly	247,997,077	118,753,777	399,000,000	30,000,000	429,000,000
4	Finance & Economic Planning	134,241,949	108,373,680	244,338,209	30,000,000	274,338,209
5	Roads, PW & Transport	42,817,945	12,569,049	58,614,510	266,344,172	324,958,682
6	Sports, Culture & S. Services	17,901,633	5,479,038	24,813,164	70,952,151	95,765,315
7	Education and Tech. Training	120,679,256	38,432,789	160,653,125	151,708,478	312,361,603
8	Health Services	944,052,998	189,855,433	1,134,775,947	156,253,138	1,291,029,085
9	Water, Lands, Housing, P & P	50,756,025	14,196,182	66,524,700	205,460,593	271,985,293
10	Trade, Tourism, Co-op Dev.	31,793,960	8,232,649	41,374,146	50,414,064	91,788,210
11	Agriculture	173,468,528	9,584,945	184,867,816	122,887,736	307,755,552
12	County Public Service Board	75,745,513	4,568,005	26,,315,516	2,500,000	28,815,516
13	ICT & Public Service	19,430,611	9,406,523	87,079,552	46,000,000	133,079,552
	TOTAL	1,927,625,955	535,850,402	2,493,613,317	1,145,520,332	3,665,449,165

4.3.1 Overall Deficit and Financing

The overall budget in 2016/17 is projected to be Ksh 3,942,060,154. Cumulatively, revenue projections are estimated to be ksh 3,461,837,121 out of which Ksh 120,448,055 is local revenue while Ksh 3,341,389,066 is Central Government Transfers. The deficit realized will be financed through County's Local Revenues by raising the revenue base.

5 CONCLUSION AND WAY FORWARD

The fiscal outcome for 2014/15 FY had implication on the financial objectives contained in the last County Fiscal Strategy Paper (CFSP) submitted the County Assembly in February 2015. Going forward, the set of policies outlined in this CBROP reflect the dynamic circumstances and are broadly in line with the fiscal responsibility principles outlined in the PFM Act, 2012. They are also consistent with the county strategic objectives being pursued as a basis of allocation of public resources.

These strategic objectives are provided in the policy documents that have been developed by the county whose objectives are to successfully implement the County Integrated Development Plan (CIDP) which is aligned to the national development blue print, the Vision 2030.

Additionally, the policies and sector ceilings annexed herewith will guide county departments and budgeting entities in preparation of the 2016/17 budget

ANNEXES

Annex 1: County Government Operations 2013/14 - 2016/17

Annex 1: County Government Operations 2013/14 - 2016/17												
DEPARTMENT	RECURREN 2013/14	DEVELOPMENT 2013/14	TOTALS 2013/14	RECURREN	DEVELOPMENT 2014/15	TOTALS 14/15	RECURREN 2015/16	DEVELOPMENT 2015/16	TOTALS 15/16	RECURREN 2016/17	DEVELOPMENT 2016/17	TOTALS 16/17
				2014/15								
OFFICE OF THE GOVERNOR	117,235,496	111,535,586	228,771,082	146,951,792	70,684,932	217,636,724	69,969,676	13,000,000	82,969,676	94,151,196	17,492,800	111,643,996
OFFICE OF THE DEPUTY GOVERNOR	30,876,612	-	30,876,612	-	-	-	-	-	-	-	-	-
ADMINISTRATION	111,726,871	-	111,726,871	66,791,057	-	66,791,057	21,602,472	-	21,602,472	29,068,286	-	29,068,286
COUNTY ASSEMBLY	308,736,215	20,000,000	328,736,215	328,372,997	55,193,265	383,566,262	399,000,000	30,000,000	429,000,000	-	-	-
FINANCE & ECONOMIC PLANNING	114,030,304	38,000,000	152,030,304	164,757,314	19,823,213	184,580,527	244,338,209	30,000,000	274,338,209	328,781,494	40,368,000	369,149,494
ROADS, PUBLIC WORKS & TRANSPORT	36,909,918	232,200,000	269,109,918	45,377,027	439,779,964	485,156,991	58,614,510	266,344,172	324,958,682	78,871,684	380,325,998	459,197,682
YOUTH, SPORTS, CULTURE, GENDER	-	-	-	27,603,325	97,107,415	124,710,740	24,813,164	70,952,151	95,765,315	36,764,917	95,473,214	132,238,131
EDUCATION	121,182,027	77,000,000	198,182,027	169,452,827	175,373,970	344,826,797	160,653,125	151,708,478	312,361,603	216,174,845	204,138,928	420,313,773
HEALTH SERVICES	649,720,008	133,000,000	782,720,008	918,454,411	209,507,473	1,127,961,884	1,134,775,947	156,253,138	1,291,029,085	1,526,954,515	210,254,222	1,737,208,737
WATER, LANDS, HOUSING, PHYSICAL PLANNING	33,582,200	9,000,000	42,582,200	17,531,094	63,200,860	80,731,954	66,524,700	205,460,593	271,985,293	89,515,636	276,467,774	365,983,410
WATER, IRRIGATION, & ENVIRONMENT	36,132,061	80,000,000	116,132,061	35,327,161	169,940,603	205,267,764	-	-	-	0	-	-

TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	30,857,612	34,500,000	65,357,612	27,754,094	56,405,090	84,159,184	41,374,146	50,414,064	91,788,210	55,673,051	67,837,165	123,510,216
AGRICULTURE	151,890,518	50,000,000	201,890,518	175,153,867	123,781,304	298,935,171	184,867,816	122,887,736	307,755,552	248,758,133	164,684,932	413,443,065
COUNTY PUBLIC SERVICE BOARD	56,561,000	-	56,561,000	42,472,677	-	42,472,677	26,315,516	2,500,000	28,815,516	35,410,158	3,364,000	38,774,158
I.C.T. & PUBLIC SERVICE	18,994,127	-	18,994,127	119,501,403	14,627,075	134,128,478	87,079,552	46,000,000	133,079,552	105,414,628	95,257,217	200,671,845
TOTALS	1,818,434,969	785,235,586	2,603,670,555	2,285,501,046	1,495,425,164	3,780,926,210	2,519,928,833	1,145,520,332	3,665,449,165	2,845,538,543	1,555,664,250	4,401,202,793

Annex 2: Total Sector Ceilings for the MTEF Period 2014/15 - 2017/18

	DEPARTMENT	2014/15	2015/16	2016/17	2017/18
1	OFFICE OF THE GOVERNOR/DEPUTY GOVERNOR	217,636,724	82,969,676	96,244,824	111,643,996
2	ADMINISTRATION	66,791,057	21,602,472	25,058,868	29,068,286
3	COUNTY ASSEMBLY	383,566,262	429,000,000	452,498,528	
4	FINANCE & ECONOMIC PLANNING	184,580,527	274,338,209	318,232,322	369,149,494
5	ROADS, PUBLIC WORKS & TRANSPORT	485,156,991	324,958,682	395,860,071	459,197,682
6	YOUTH, SPORTS, CULTURE, GENDER	124,710,740	95,765,315	113,998,389	132,238,131
7	EDUCATION	344,826,797	312,361,603	362,339,459	420,313,773
8	HEALTH SERVICES	1,127,961,884	1,291,029,085	1,497,593,739	1,737,208,737
9	TRADE, TOURISM, CO-OPERATIVE DEVELOPMENT	84,159,184	91,788,210	106,474,323	123,510,216

10	WATER, IRRIGATION, & ENVIRONMENT	285,999,718	271,985,293	315,502,940	365,983,410
11	AGRICULTURE	298,935,171	307,755,552	356,416,435	413,443,065
12	COUNTY PUBLIC SERVICE BOARD	42,472,677	28,815,516	33,425,999	38,774,158
13	I.C.T. & PUBLIC SERVICE	134,128,478	133,079,552	164,372,280	200,671,845
	TOTALS	3,780,926,210	3,665,449,165	4,238,018,177	4,401,202,793

Annex 3: Recurrent Sector Ceilings for the MTEF Period 2014/15 - 2016/17

Department	2014/2015	2015/2016	2016/2017	2017/2018
Office of The Governor	146,951,792	69,969,676	81,164,824	94,151,196
Administration	66,791,057	21,602,472	25,058,868	29,068,286
County Assembly	328,372,997	399,000,000	-	-
Finance & Economic Planning	164,757,314	244,338,209	283,432,322	328,781,494
Roads, Public Works & Transport	45,377,027	58,614,510	67,992,831	78,871,684
Sports, Culture & Social Services	27,603,325	24,813,164	31,693,894	36,764,917
Education and Technical Training	169,452,827	160,653,125	186,357,625	216,174,845
Health Services	918,454,411	1,134,775,947	1,316,340,099	1,526,954,515
Water, Lands, Housing, and Physical Planning	45,285,188	66,524,700	77,168,652	89,515,636
Trade, Tourism, Co-op Development	35,327,161	41,374,146	47,994,009	55,673,051
Agriculture	175,153,867	184,867,816	214,446,666	248,758,133
ICT & Public Service	119,501,403	87,079,552	101,012,280	105,414,628
County Public Service Board	42,472,677	26,315,516	30,525,999	35,410,158
TOTAL	2,285,501,046	2,519,928,833	2,463,188,069	2,845,538,543

Annex 4: Development Sector Ceilings for the MTEF Period 2014/15 - 2017/18

DEPARTMENT	ESTIMATES 2014/15	ESTIMATES 2015/16	PROJECTIONS 2016/17	PROJECTIONS 2017/18
Office of the Governor	70,684,933	13,000,000	15,080,000	17,492,800
Administration	-	-	-	-
County Assembly	55,193,265	30,000,000	-	-
Finance and Economic Planning	19,823,213	30,000,000	34,800,000	40,368,000
Public ,Works Roads and Transport	439,779,964	266,344,172	327,867,240	380,325,998
Youth Affairs, Sports ,Culture and Social services	97,107,414	70,952,151	82,304,495	95,473,214
Education and Technical Training.	175,373,970	151,708,478	175,981,834	204,138,928
Health Services	209,507,473	156,253,138	181,253,640	210,254,222
Water, Lands, Housing and Physical Planning	233,141,463	205,460,593	238,334,288	276,467,774
Trade Tourism Wildlife, Industrialization and Co-operative Development	56,405,090	50,414,064	58,480,314	67,837,165
Agriculture, Livestock and Fisheries Development	123,781,304	122,887,736	141,969,769	164,684,932
County Public Service Board	-	2,500,000	2,900,000	3,364,000
ICT and Public Service	14,627,075	46,000,000	63,360,000	95,257,217
Total	1,495,425,164	1,145,520,332	1,322,331,580	1,555,664,250

Annex 4: Summary of Strategic Interventions for the MTEF Period 2014/15 - 2017/18

DEPARTMENT	AMOUNT	APPROVED 2014-15	APPROVED BUDGET ESTIMATES 2015/16	APPROVED BUDGET ESTIMATES 2016/17	PROPOSED BUDGET ESTIMATES 2017/18
Office of the Governor	TOTALS	217,636,724	82,969,676	96,244,824	111,643,996
	Recurrent	146,951,792	69,969,676	81,164,824	94,151,196
	Development	70,684,932	13,000,000	15,080,000	17,492,800
Administration	TOTAL	66,791,057	21,602,472	25,058,868	29,068,286
	Recurrent	66,791,057	21,602,472	25,058,868	29,068,286
	Development	-	-	-	-
County Assembly	TOTAL	383,566,262	429,000,000	-	-
	Recurrent	328,372,997	399,000,000	-	-
	Development	55,193,265	30,000,000	-	-
Finance and Economic Planning	TOTAL	184,580,527	274,338,209	318,232,322	369,149,494
	Recurrent	164,757,314	244,338,209	283,432,322	328,781,494
	Development	19,823,213	30,000,000	34,800,000	40,368,000
Roads, Public Works & Transport	TOTAL	485,156,991	324,958,682	395,860,071	459,197,682
	Recurrent	45,377,027	58,614,510	67,992,831	78,871,684
	Development	439,779,964	266,344,172	327,867,240	380,325,998
Sports, Culture & Social Services	TOTAL	124,710,740	95,765,315	113,998,389	132,238,131
	Recurrent	27,603,325	24,813,164	31,693,894	36,764,917
	Development	97,107,415	70,952,151	82,304,495	95,473,214
Education and Technical Training	TOTAL	344,826,797	312,361,603	362,339,459	420,313,773
	Recurrent	169,452,827	160,653,125	186,357,625	216,174,845
	Development	175,373,970	151,708,478	175,981,834	204,138,928
Health Services	TOTAL	1,127,961,884	1,291,029,085	1,497,593,739	1,737,208,737
	Recurrent	918,454,411	1,134,775,947	1,316,340,099	1,526,954,515
	Development	209,507,473	156,253,138	181,253,640	210,254,222
Water, Lands, Housing and Physical Planning	TOTAL	285,999,718	271,985,293	315,502,940	365,983,410
	Recurrent	52,858,255	66,524,700	77,168,652	89,515,636

	Development	233,141,463	205,460,593	238,334,288	276,467,774
Trade Tourism Wildlife, Industrialization and Co- operative Development	TOTAL	84,159,184	91,788,210	106,474,323	123,510,216
	Recurrent	27,754,094	41,374,146	47,994,009	55,673,051
	Development	56,405,090	50,414,064	58,480,314	67,837,165
Agriculture	TOTAL	298,935,171	307,755,552	356,416,435	413,443,065
	Recurrent	175,153,867	184,867,816	214,446,666	248,758,133
	Development	123,781,304	122,887,736	141,969,769	164,684,932
ICT & Public Service	TOTAL	134,128,478	133,079,552	164,372,280	200,671,845
	Recurrent	119,501,403	87,079,552	101,012,280	105,414,628
	Development	14,627,075	46,000,000	63,360,000	95,257,217
County Public Service Board	TOTAL	42,472,677	28,815,516	33,425,999	38,774,158
	Recurrent	42,472,677	26,315,516	30,525,999	35,410,158
	Development	-	2,500,000	2,900,000	3,364,000
GRAND TOTAL	TOTAL	3,780,926,210	3,665,449,165	3,785,519,649	4,401,202,793
	Recurrent	2,285,501,046	2,519,928,833	2,463,188,069	2,845,538,543
	Development	1,495,425,164	1,145,520,332	1,322,331,580	1,555,664,250

Annex 5: BUDGET CALENDAR FOR THE FY 2015/16 MTEF BUDGET

In accordance with Article 221 of the Constitution and the relevant sections of the Public Finance Management Act (PFM), 2012, there are budget timelines and accompanying outputs that must be complied with. The budget calendar is enumerated in the table below;

No.	TIMELINE	BUDGET ACTIVITY
1.	30 th August	<p>County Executive Committee member for Finance issues budget circular to all county entities.</p> <p>S.128 of PFM Act, 2012</p> <p>The circular contains limits (ceilings) of each department/entity as recommended, key policy areas and issues to be taken into consideration when preparing the budgets</p>
2.	1 st September	<p>County Executive Member for Planning will submit Annual Development Plan (ADP) to County Assembly for approval, with copy to the CRA and National Treasury as per</p> <p>s.126(3) of PFM Act, 2012</p> <p>The ADP contains long term and medium term plans as per</p> <p>s.125(1)(a) of PFM Act, 2012</p>
3.	30 th September	<p>County Budget Review and Outlook Paper (CBROP) will be prepared by county treasury and submitted to the county executive committee.</p> <p>CBROP will cover:</p> <ul style="list-style-type: none"> (a) Details of actual fiscal performance in the previous year compared to the budget appropriation (b) Updated fiscal and economic forecasts (c) Changes in forecasts from the county fiscal strategy paper (d) How actual fiscal performance affected compliance with fiscal responsibility principles

		<p>and Budget Policy Statement.</p> <p>s.118(1)-(2) of PFM Act, 2012</p> <p>County Executive committee will consider and approve CBROP with or without amendments</p> <p>s.118(3) of PFM Act, 2012</p> <p>County Treasury causes CBROP to be laid before county assembly.</p> <p>s.118(4)(a) of PFM Act, 2012</p>
4.	By 15 th October	<p>CBROP will be published and publicized</p> <p>s.118(4)(b) of PFM Act, 2012</p>
5.	28 th February	<p>County Treasury will prepare and submit County Fiscal Strategy Paper (CFSP) to the County Assembly.</p> <p>The CFSP must be aligned to national objectives in the Budget Policy Statement</p> <p>s. 117(1)&(2) of PFM Act, 2012</p> <p>In preparing the CFSP, the County Treasury will seek the views of the CRA, the public, interested persons or groups and any forum that is established by legislation.</p> <p>s.117(4) of PFM Act, 2012</p> <p>County Treasury will submit the CFSP to the county executive committee for approval before submission to the County Assembly</p> <p>s. 117(1) of PFM Act, 2012</p>

6.	14 th March	<p>County Treasury will submit <u>County Debt Management Strategy</u> to County Assembly.</p> <p>s.123(1) of PFM Act, 2012</p> <p>County Executive Member for Finance will submit copy of County Debt Management Strategy to CRA and Intergovernmental Budget and Economic Council.</p> <p>s.123(3) of PFM Act, 2012</p>
7.	14 th March	<p>Within 14 days of the County Fiscal Strategy being submitted to the county assembly, the county assembly shall consider and adopt it with or without amendments.</p> <p>s.117(6) of PFM Act, 2012</p>
8.	21 st March	<p>County Fiscal Strategy Paper to be published and publicised.</p> <p>s.117(8) of PFM Act, 2012</p>
9.	30 th April	<p>County CEC Finance will submit <u>budget estimates</u> to county assembly. This Must be in line with resolutions of the Assembly on the County Fiscal Strategy Paper.</p> <p>s. 129(2) of PFM Act, 2012</p>
10.	30 th April	<p>County Assembly clerk will submit <u>Budget Estimates for County Assembly</u> with a copy to the CEC Finance</p> <p>s.129(3) of PFM Act, 2012</p>
11.	15 th May	<p>CEC Finance will publish and publicise Budget Estimates.</p> <p>s.129(6) of PFM Act, 2012</p>
12.	15 th May	<p>CEC Finance will present <u>comments on the budget estimates to the county assembly</u></p> <p>s.129(4) of PFM Act, 2012</p>

13.	Before County Assembly considers the estimates	Before County Assembly considers the estimates the relevant committee of the County Assembly shall meet and consider the estimates and make recommendations to the County Assembly, but should take into account the views of the CEC Finance. s.131(2) of PFM Act, 2012
14.	30 th June	County assembly will consider estimates with a view to approving with or without amendments in time for the county appropriation law to be passed by 30 th June. s.131 s.131(2) of PFM Act, 2012
15.	30 th June	County Assembly may amend estimates only if a) any proposed increase is balanced with reduction in another appropriation and b) any proposed reduction is used to reduce the deficit. s.131(3) of PFM Act, 2012
16.	30 th June	After county assembly has approved estimates, CEC for finance shall prepare and submit a County Appropriation Bill to the county assembly. s.129(7) of PFM Act, 2012
17.	15 th June	County government must submit annual cash flow projection to the Controller of Budget. s.127(1) of PFM Act, 2012
18.	30 th June	Appropriation Bill will be passed by the County Assembly s.131(1) of PFM Act, 2012
19.	As soon as the Budget Estimates have been approved	CEC Finance will make a pronouncement on revenue raising measures . s.132(1) of PFM Act, 2012 At the same time as making the pronouncement under s.132(1) the CEC Finance must

		submit the Finance Bill to the county assembly. s.132(2) s.131(1) of PFM Act, 2012
20.	As soon as the Budget Estimates have been approved	County Assembly may consider the revenue measures but must (a) ensure the total amount of revenue is consistent with the fiscal framework and the County Allocation of Revenue Act, and (b) must take into account various matters including the recommendation of the CEC Finance. s.132(3) & (4) of PFM Act, 2012
21.	Not later than 90 days after Appropriation Act passed	County Assembly must consider the Finance Bill and approve with or without amendments. s.133 of PFM Act, 2012