

COUNTY GOVERNMENT OF KITUI



THE COUNTY ASSEMBLY

SECOND ASSEMBLY – (THIRD SESSION)

THE BUDGET AND APPROPRIATIONS COMMITTEE

REPORT ON CONSIDERATION OF
THE KITUI COUNTY BUDGET ESTIMATES FOR
THE FINANCIAL YEAR
2019/2020

CLERK OF ASSEMBLY CHAMBERS

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KITUI

NOVEMBER, 2019

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ABBREVIATIONS AND ACRONYMS

CARA	County Allocation of Revenue Act
CASB	County Assembly Service Board
CEC	County Executive Committee
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
CLIDP	Community Level Infrastructure Development Programme
CoK	Constitution of Kenya
EACC	Ethics and Anti-Corruption Commission
ECDE	Early Childhood Development
HMIS	Health Management Information System
ICT	Information Communication Technology
KCHIC	Kitui County Health Insurance Cover
KICOTEC	Kitui County Textile Centre
LIHUD	Lands Infrastructure, Housing and Urban Development
PFM	Public Finance Management
SRC	Salaries and Remuneration Commission.

1.0 PREAMBLE

Mr. Speaker,

In the public sector, a budget is defined as a tool for accountability and transparency. It determines the total expenditure of an organization and ensures that it is consistent with total revenues leading to a balanced budget. Thus budgeting is the precious principle behind every sound and successful institution. As wise men will say, “*a budget is not just a collection of numbers, but an expression of our values and aspirations*” quote by Jacob Lewis. That is to say, a good budget should reflect the values and priorities of our County and its residents.

Mr. Speaker,

The purposes of budgeting are for resource allocation, planning, coordination, control and motivation. It is also an important tool for decision making, monitoring business performance and forecasting income and expenditure. Mr. Speaker, with the common phenomenon of limited resources, prudence must be applied in efficient budgeting for optimal output. The underlying principle in this budgeting will therefore be to ensure that greatest public good is achieved in the most cost-effective way.

Mr. Speaker,

The Constitution of Kenya, 2010 (CoK) envisages decent principles in public resource mobilization, planning and management. Article 224 of the Constitution provides that every County Government shall prepare and adopt its own Annual Budget and an Appropriation Bill in the form and according to the procedure prescribed in an Act of Parliament.

Accordingly, in the spirit and as contemplated above, the County Governments are specifically guided by Part 4 (four) of the Public Finance Management Act, (PFM) Act, 2012 that touches on County Governments' responsibilities with respect to Management and Control of Public Finance.

Mr. Speaker,

The CoK, 2010 and the PFM Act, 2012 has both placed significant responsibilities on the County Assemblies as relates to financial management in particular regarding to resource mobilization, allocation, monitoring and control. Section 130 and 131 of the PFM Act, 2012 bestows the fundamental responsibility of the County Budget approval and the relevant appropriations law to the County Assemblies.

Emphatically, Section 131 (1&2) of PFM Act, 2012 inter alia provides that;

- (i) *“the County Assembly shall consider the County Government Budget Estimates with a view to approving them, with or without amendments in time for the relevant appropriation law and any other laws required to implement the budget to be passed by the 30th June, in each year.*
- (ii) *before the County Assembly considers the estimates of revenue and expenditure, the relevant Committee of the County Assembly shall discuss and review the estimates and make recommendations to the County Assembly”*

Mr. Speaker,

At this point in time, it is important to note that the Kitui County Budget Estimates, 2019/2020 under consideration by the Committee is a **revised budget Estimates 2019/2020**. The revision was necessitated by the fact that the initial budget submitted and considered by the Assembly was done before approval of Division of Revenue Bill (DORA) and the County

Allocation of Revenue (CARA) Bill, 2019 as contemplated in Article 218 of CoK which inter alia states”

- (a) a division of Revenue Bill, which shall divide revenue raised by the national government among the national and county levels of government in accordance with this Constitution; and*
- (b) a County Allocation of Revenue Bill, which shall divide among the counties the revenue allocated to the county level of government on the basis determined in accordance with the resolution in force under Article 217.*

Mr. Speaker,

As you are all aware, a stalemate was experienced in enactment of the above constitutional Bills which statutorily ought to have been fully passed two months before the end of the financial year 2018/2019. The duo saw the light of the day late in the month of September, 2019 when most of the Counties had already prepared and approved their budgets based on the Budget Policy Statement issued by the Cabinet Secretary, National Treasury on the part of the equitable share.

It is important to note the fact that at the time DORA and CARA, 2019 were passed by the National Assembly, the Kitui County Appropriation Bill, 2019 was still in a back and forth between the two Arms of the government. Owing to the factors explained above, it was thus necessary to revise the County Budget for the financial year, 2019/2020 for approval by the Assembly.

Mr. Speaker,

The submitted revised County budget estimates, 2019/2020 was laid on the floor of the on 23rd October, 2019 during the afternoon sitting. The estimates were deemed to have been committed to each Sectoral

Committees for such committee to deliberate upon according to their respective mandate and report to the budget and Appropriation pursuant to the provisions of Standing order 206 (3) & (4).

Mr. Speaker,

Standing Order 206 (5) provides that, the Budget and Appropriations Committee shall discuss and review the Estimates and make recommendations to the County Assembly, taking into account the recommendations of the Sectoral Committees, the views of the County Executive Committee (CEC) Member for Finance and Economic Planning and the public. Therefore, to consider these estimates, the Committee will majorly rely on the above in ensuring a holistic report for adoption by the Assembly. In addition, the Committee will be guided by relevant provisions of the law as outlined in the PFM Act, 2012 and the County Assembly Standing Orders which definitely borrows directly from the PFM Act, 2012 on the part of public finances.

Mr. Speaker,

It is important to note that the revised County budget estimates 2019/2020 were deemed to have been subjected to actual public participation as envisaged in Article 196 and 201 of the CoK, 2010 and Section 131 (2) of the PFM Act, 2012. This budget is believed to have conformed with the above provisions of the law owing to the fact that the document is basically a revised version of the County uploaded budget 2019/2020 which had been subjected to a public participation exercise. The activity had simultaneously taken place on 23rd and 24th in the following centers;

- i. Kitui Town at Multipurpose Development and Training Institute Hall (for Kitui Central, Kitui West, Kitui Rural Sub Counties),

- ii. Mwingi at Nguni Market (for Mwingi Central and Mwingi West Sub Counties),
- iii. Kitui East at Mutitu Social Hall (for Kitui East Sub County),
- iv. Kitui South Ikutha at Ndilis Hotel (for Kitui South sub County) and,
- v. Mwingi North at Tseikuru Resource Center (for Mwingi North Sub County).

Mr. Speaker,

The Sectoral Committees took ample time to interrogate their Sector budgets within their mandate with effect from 23rd to 28th October, 2019 at Pride Inn West lands Nairobi. During this exercise, the Committees were able to examine the budgets and make recommendations to the Committee on Budget and Appropriations as guided under Standing order 206(5). Further, the Committee Chairpersons did get an opportunity upon invitation by the Committee on Budget and Appropriations to do presentations and offer further clarifications on the Sector budgets to the Committee pursuant to the provisions of Standing Order 186(6). This in addition forms basis of the recommendations made to the Assembly among other factors of consideration.

2.0 ESTABLISHMENT AND COMPOSITION OF THE COMMITTEE

2.1 The Committee Composition

Mr. Speaker,

The Committee on Budget and Appropriations is established under the provisions of Standing Order 186 which also spells the mandate and the functions of the Committee. The recent Changes in the County Assembly Committees affected the membership of the Committee. This resulted to

exit of four members and approval of an equal number to the Committee thus, the current composition being made of the following members;

- | | |
|-------------------------------|--------------------|
| 1. Hon. Boniface Kilaa Kasina | -Chairperson |
| 2. Hon. James Mutunga Munuve | -Vice Chair Person |
| 3. Hon. Esther Kalunda Ndile | -Member |
| 4. Hon. Mary Kanini Philip | “ |
| 5. Hon. Stephen M. Musili | “ |
| 6. Hon. Stephen I. Katana | “ |
| 7. Hon. James M. W Kula | “ |
| 8. Hon. Mary P. Ndumbu | “ |
| 9. Hon. Sylvester K. Munyalo | “ |

2.2 The Committee’s Mandate

Mr. Speaker,

Standing Order 186 (3) outlines the roles of the Committee on Budget and Appropriations as to inter alia:-

- i. Investigate, inquire into and report on all matters related to coordination, control and monitoring of the county budget.*
- ii. Discuss and review the estimates and make recommendations to the Assembly.*

Mr. Speaker,

Arising therefrom, the Committee will be considering the Kitui County Budget Estimates, 2019/2020 in pursuit of her mandate as articulated in the above provisions of the Standing Orders.

3.0 METHODOLOGY

Mr. Speaker,

In conducting this exercise, the Committee engaged representatives from both the County Executive and the Assembly in rigorous interactive sessions

taking into account the relevant provisions of law. The exercise involved the following activities:-

- i. Direct engagement into discussions with invitees
- ii. Reviewing the reports submitted to the Committee
e.g. the Sectoral Committees reports
- iii. Interrogation of documentary evidences submitted
- iv. Reviewing budget performance 2018/2019
- v. Reviewing the Integrated Financial Management System (IFMIS) balance for the uploaded budget, 2019/2020 as at the end of October, 2019.

It is worth noting that the submitted budget had explanation notes as required under regulation 39 of the Public Finance Management (County Governments) Regulations 2015. Nonetheless, more clarifications was necessary in support of the proposed budget. There was need as well to give full disclosure on some budget items such as and not limited to;

- i. The re-vote from the financial year 2018/2019,
- ii. Reduction and increase in permanent employee's salaries,
- iii. The cumulative pending bills in each Ministry.
- iv. Clarification of activities to be funded by Grants

Mr. Speaker,

It is upon this backdrop that Committee resolved to invite the following County Executive Committee Members (CECMs) and the County Assembly Service Board to attend a committee sittings scheduled for 7th November, 2019 at Pride Inn Hotel Westlands Nairobi. The invitees included the followings:-

- i. CECM -County Treasury,
- ii. CECM -County Ministry of Health,

- iii. CECM -County Ministry of Lands Infrastructure , Housing and Urban Development,
- iv. CECM –County Ministry of Agriculture, Water and Livestock development,
- v. CECM –County Ministry of Trade, Cooperatives and Investments,
- vi. Office of the Governor,
- vii. Representatives from the County Assembly Service Board.

The above meeting with the CECMs was however rescheduled for 10th and 11th November, 2019 at Thatha Hills Resort at Machakos due to some technicalities. The discussions took off as planned during which the Committee had an opportunity to discuss on quite a number of issues concerning the submitted budget. This brought the members into full acquaintance with the provisions made in the budget which is very significant in making rational recommendations to the Assembly.

4.0 BACKGROUND

Mr. Speaker,

Section 129 of the PFM Act, 2012 inter alia provides that;

‘Following approval by the County Executive Committee, the County Executive Member for Finance shall-

Submit to the County Assembly the budget estimates, supporting documents, and any other Bills required to implement the budget except the Finance Bill, by the 30th April in that year ...’

The revised Kitui County Budget for the financial year, 2019/2020 was submitted outside these timelines as it has been witnessed above. Nonetheless, its consideration thereof was subject to the normal budget approval process as laid down by the law. It is depicted from the

explanations in this report that the budget was subjected to a rigorous sectoral Committee scrutiny except the public participation exercise where reports for the initial budget estimates 2019/2020 were relied upon for the purpose of public input to these revised estimates.

Mr. Speaker,

To consider these estimates therefore, the Committee retreated outside the precincts of the Assembly for eleven days with effect from 1st to 11th November, 2019. During this period, the Committee had an opportunity to extensively interact with budget making key players. This was paramount in guiding the Committee in taking the right judgment on the submitted estimates, 2019/2020.

5.0 ACKNOWLEDGEMENT

Mr. Speaker,

The Committee on Budget and Appropriations extends her gratitude to the Office of the Speaker of Assembly and that of the Clerk of Assembly for the unmeasured leadership and the necessary logistical support in this exercise. Of significance to note is the Committee members' commitment and resilience to complete the task within the set time.

Mr. Speaker,

May I take this remarkable moment to congratulate the Chairpersons, Sectoral Committees who have done a tremendous input in this report. Despite the short notice, their attendance and contributions during the entire budget legislative process was of utmost significance.

I humbly and on behalf of the Committee urge them this time round to acquaint themselves to the full departmental budget allocations to ensure

an effective oversight to their respective ministries. This is the only way to ensure services are genuinely and timely delivered to the County residents. The County Executive Committee Members who got an opportunity to sit with the Committee during this exercise deserves an exemplary complimentary for their noteworthy cooperation and participation in this noble task. Their remarkable input will no longer be an exercise in futility but a fundamental input during the Committee prosecution on this budget.

Finally the committee is indebted to the staff of the Executive and the County Assembly who offered invaluable technical support during this exercise and the service to the Committee in successively compiling this report.

Mr. Speaker,

It is therefore my pleasant duty and pleasure on behalf of the Budget and Appropriations Committee to table this report and the recommendations for adoption by the Assembly.

Hon. Boniface Kilaa Kasina
Chairperson
Committee on Budget and Appropriations

November, 2019

6.0 THE COUNTY BUDGET ESTIMATES FOR FINANCIAL YEAR 2019/2020

Mr. Speaker,

This is the seventh County Annual Budget to be considered by the Assembly since devolution was ushered under the Constitution of Kenya (CoK), 2010. The County annual estimates have been incremental over the period with gradual growth unlike the small decline experienced in this financial years estimates as indicated below:-

(Without re-vote)

2013/2014 – Kshs 6,548,244,241

2014/2015 – Kshs 7,635,960,523

2015/2016 – Kshs 8,089,575,084

2016/2017 – Kshs 8,889,828,722

2017/2018 – Kshs 9, 873,405,731

2018/2019 – Kshs. 11,775,231,412

2019/2020 – Kshs. 11,378,500,249 (as revised and submitted)

Mr. Speaker,

The proposed County budget Estimates, 2019/2020 were separately submitted on 11th October, 2019 by the CEC Member, County Treasury and 22nd October, 2019 by the Clerk of Assembly. As explained above in this report, this is a revised budget for the financial year, 2019/2020 and was submitted outside the statutory timeline as envisaged PFM Act, 2012. The total budget submitted of Kshs. 11,378,500,249 comprised of Kshs. 7,138,588,508 and 4,239,911,741 for both recurrent and development expenditures respectively. The budget submitted by the CECM County Treasury included Kshs 830M for the County Assembly recurrent expenditure which was lower than the ceiling set out by CARA, 2019 by

Kshs. 6,025,472.00, and further did not include the development budget and the County Assembly re-vote from last year's budget.

It is worth noting that the proposed budget contains a total revote of Kshs. 804,890,944.00 with no share of the same to the County Assembly. The expenditure ceiling had as well exceeded the ceilings in the approved County Fiscal Strategy Paper for financial year 2019/2020. Nonetheless, a memorandum dated 11th October, 2019 was submitted to that effect and in justification of the discrepancy. The deviation from the approved County Fiscal Strategy Paper (CFSP), 2019/2020 by the County spending entities is as analyzed in the table below:-

S/NO	County Ministry	Submitted Budget	Approved CFSP Ceiling	Variance
1	Office of the Governor	1,221,000,000	1,183,350,489	37,649,511
2	Public Service Management and Administration	407,000,000	459,723,479	(52,723,478)
3	Agriculture, Water & Livestock Development	1,573,350,809	1,560,827,409	12,523,400
4	Basic Education, ICT & Youth Development	581,806,595	590,357,273	(8,550,678)
5	Lands, Infrastructure, Housing & Urban Development	800,000,000	850,644,296	(50,644,296)
6	Health & Sanitation	3,200,000,000	2,626,641,895	573,358,105
7	Trade, Cooperatives & Investment	654,581,253	578,615,851	75,965,402
8	Environment & Natural Resources	192,964,397	259,189,587	(66,225,190)
9	Tourism, Sports & Culture	197,330,000	261,482,631	(64,152,631)
10	The County Treasury	469,310,000	563,324,291	(94,014,291)
11	County Public Service Board	40,000,001	53,434,116	13,434,115
12	County Assembly Service Board	830,000,000	833,248,915	(3,248,915)
13	Kitui Municipality	324,337,643	372,673,246	(48,335,603)
14	Mwingi Town Administration	81,928,607	98,745,825	(16,817,218)
	TOTAL	10,573,609,305	10,292,259,303	281,350,002

Mr. Speaker,

The deviation above saw the Ministry of Health benefit most with a proposed increment in expenditure allocation by Kshs. 573,358,105. As contained in the Memorandum, quality health is the 2nd out of the five pillars of Kitui County manifesto which the County has called for heavy investment. This is aimed at increasing health workers, provision of drugs, procurement of ambulances and utility vehicles, procurement of key medical equipment, investment in amenity ward and provision of dialysis among others services. The County ministry that lost to the highest tune was the County Treasury by Kshs. 94,014,291. The deviation from the CFSP ceiling could however be attributed to change in equitable share upon approval of CARA where the County got an allocation of Kshs. 8,830,350,000 with an increment of Kshs. 181,350,000.

Mr. Speaker,

Section 125 of the PFM Act, 2012 provides the statutory process and stages in preparation of a County Budget as to inter alia include;

- (a) integrated development planning process which shall include both long term and medium term planning;
- (b) planning and establishing financial and economic priorities for the county over the medium term;
- (c) making an overall estimation of the county government's revenues and expenditures;
- (d) adoption of County Fiscal Strategy Paper;
- (e) preparing budget estimates for the county government and submitting estimates to the county assembly;
- (f) approving of the estimates by the county assembly;

(g) enacting an appropriation law and any other laws required to implement the county government's budget;

Mr. Speaker

The law envisages a procedure to be followed by the County Governments in approving the statutory budget document simply in the following order;

- i The County Integrated Development Plan (CIDP)
- ii The Annual Development Plan (ADP)
- iii The CFSP
- iv The Budget Estimates and
- v The Appropriation Law

Mr. Speaker,

An approval of one document in the sequence gives birth to preparation and approval of the succeeding one. Therefore, it would be unlawful to interchange the sequence as the preceding approval forms the legal basis for preparation of the successive budget document. At this point in time, it is worth noting that the procedure was adhered to and the time lines observed unlike the technical hiccups experienced in the previous financial years' budgets. Nonetheless, the budget under consideration is being legislated outside the legal time frame as set in Section 131 of the PFM Act, 2012; which has been explained above in this report.

Mr. Speaker,

The submitted County Budget Estimates for the financial year, 2019/2020 totaled to Kshs. 11,378,500,249.00 while the County Assembly budget totaled to Kshs. 1,062,239,760.00. As explained in this report above, the budget submitted by CEC Member for the County Treasury fell short of the County Assembly budget by Kshs. 232,239,760.00. This difference can be

attributed to non-adherence to the County Assembly recurrent expenditure ceiling as provided in CARA, 2019 and non-factoring of the County Assembly recurrent and development re-vote from the last year's budget. It is important to note that this budget was prepared inclusive of the actual revote for the financial year 2018/2019 having been submitted way after the end of the last financial year.

Mr. Speaker,

There seems to be cropping in an unfriendly trend of growth in recurrent expenditures consuming all the gradual budget growth notwithstanding any benefit to the county development expenditures. This has subsequently resulted to a demeaning trend to the county development budget which now is at 37% as indicated below:-

The County Executive Budget submitted by the CECM Treasury:-

Total Recurrent budget	Kshs. 7,138,588,508.00 –	63%
Development budget	<u>Kshs. 4, 239,911,741.00 –</u>	37%
Total budget	<u>Kshs. 11,378,500,249.00 -</u>	100%

The budgets were submitted separately as anticipated in Section 129 of the PFM Act, 2012 with a County Assembly budget comprising of the following:-

Total Recurrent budget	Kshs. 932,239,760.00
Development budget	<u>Kshs. 130,000,000.00</u>
Total budget	<u>Kshs. 1,062,239,760.00</u>

It is over again important to note that the executive budget as submitted contains Kshs. 830M for the County Assembly recurrent expenditure without regard to any development allocation.

The expenditure proposals were pegged on a resource envelop of **Kshs. 11,378,500,249.00** comprising of the following revenue projections;

Equitable share	Kshs. 8,830,350,000.00
Grants	Kshs. 1,143,259,304.00
Re-vote	Kshs. 804,890,944.00
Own revenue	<u>Kshs. 600,000,000.00</u>
TOTAL	<u>Kshs. 11,378,500,248.00</u>

The proposed grants as contained in the County Allocation of Revenue Act (CARA), 2019 is as listed below:-

Compensation of User Fees Foregone-	22,499,906.00
Road Maintenance Fuel Levy -	250,655,344.00
Grants from World Bank (KDSP) -	30,000,000.00
World Bank (Universal Health) -	120,886,088.00
World Bank Agricultural - Rural Growth –	350,000,000.00
HSSP/HSPS – (DANIDA/IDA) –	26,062,500.00
Development of Youth Polytechnics –	72,588,298.00
Kenya Urban Support Program- World Bank–	232,374,200.00
Kenya Urban Support Program (UIG)- World Bank –	8,800,000.00
ASDP	<u>20,392,968.00</u>
	<u>1,143,259,304.00</u>

Mr. Speaker,

Regulation 31 (c) of the Public Finance Management (County Government) Regulations, 2015, provides that the budget revenue and expenditure appropriations shall be balanced. The two submitted budgets put together exceeds the anticipated revenue by Kshs. 232,239,760.00 which consist of the following:

- i. Kshs. 53,214,288.00, being recurrent expenditure for the month of June, 2019 which was charged to the 2019/2020 budget due to stoppage of requisitions by CECM County Treasury.
- ii. Kshs. 43M being a re-vote from the members' mortgage 2018/2019.
- iii. Kshs. 130M being a re-vote for the development allocations in the financial year 2018/2019.
- iv. Kshs. 6,025,472.00, the variance in recurrent allocations for the Assembly in the executive budget against the ceiling set out by CARA, 2019.

In considering this budget, the Committee among other things will seek to rationalize the budget to accommodate the above difference among other issues of consideration.

7.0 COMPLIANCE WITH THE LEGAL PROVISIONS

Mr. Speaker,

County budget making is a legal process as contemplated in our laws viz; The Constitution of Kenya, 2010, the Public Finance Management Act, 2012 and the County Government Act, 2012.

Mr. Speaker,

The above pieces of legislation are commonly relied on in any government budgeting process. The County budget under consideration was subjected to and passed a legal test. This included an examination on compliance to principles guiding in all the aspects of public finances such as openness and accountability, public participation and prudence in application of public funds as envisaged in Articles 201.

Mr. Speaker,

As contemplated in Article 224, the County Government majorly relied on the PFM Act, 2012 which provides for all the necessary statutory procedures and the requirements in the budget making process. This includes the requirements in preparation and adoption of statutory documents such as the ADP, CFSP and lastly the County Budget Estimates. Though the County had jump started the process before passage of DORA and CARA, Acts 2019, the rectification thereof remained the genesis to this legislative process against the revised estimates 2019/2020.

Mr. Speaker,

Section 107 of the PFM Act, 2012 further sets out the fiscal responsibility principles/objectives to be observed when making a county budget as listed hereunder;-

- a) the county government's recurrent expenditure shall not exceed the county government's total revenue;*
- b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;*
- c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;*
- d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;*
- e) the county debt shall be maintained at a sustainable level as approved by county assembly;*

- f) the fiscal risks shall be managed prudently; and*
- g) 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.*

Though the budget complies to the most of the provisions above, it is however noticeable that the county government's expenditure on wages and personnel benefits is at 38% exceeding the percentage of the total County Government revenue as opposed to regulation 25(1)(b) of the Public Finance Management (County Government) Regulations, 2015. The CECM County Treasury for that matter is required to have submitted a responsibility statement to the Assembly on how to address this pursuant to the provisions of Section 107 of the PFM Act, 2012.

Mr. Speaker,

The submitted budget by the CECM County Treasury tried to comply with the approved CFSP, 2019 as explained in the memorandum submitted on this budget. However, there were glaring deviations by most of the County Ministries from the expenditure ceilings which the CECM for Treasury submitted a budget memorandum to that effect (**see annex iv**) attached. Compliance to the County Assembly resolution as relates to the ward level development projects was done and a list submitted whose copy is hereby attached (**see annex v**).

8.0 THE SECTORAL COMMITTEE AND PUBLIC VIEWS TO THE COUNTY BUDGET ESTIMATES 2019/2020.

Mr. Speaker,

Standing Order 206(3), provides that;

“upon being laid before the County Assembly, the Estimates shall be deemed to have been committed to each Sectoral Committee without

question put, for each such committee to deliberate upon according to their respective mandates”.

In compliance with the above provisions of law and as explained above in this report, the Sectoral Committees scrutinized their Sectoral budgets and submitted the respective reports to the budget Committee. This exercise is significant in a budget making process as it gives the Sectoral Committees an early opportunity to interact with the Sector budgets. The Sectoral Committees are statutory creatures of the law that are directly charged with the responsibility of conducting oversight to the respective County Ministries. Budget making and implementation is a negotiated and a consultative process. A clear understanding of the provisions made in the budget is of great essence.

Mr. Speaker,

The Committee interrogated the Sectoral Committees reports upon which the Committee inter alia observed the following:-

- That the Committees didn't get an opportunity to interact with the respective CECMs to intelligently scrutinize the sector budget in ensuring rational and objective decisions are made.
- That variations were noticed in allocations made in the budget submitted against the County uploaded budget to IFMIS. e.g change in Basic salaries and wages.
- The ward development projects worth 40M were provided for in the budget with an exception of Mutonguni and Nzambani wards with Kshs. 39,340,797.00 and Kshs. 39,857,439.00 respectively.
- That the reports submitted lacked crucial information to guide the Committee in making rational decisions. This would include material information such a comprehensive list of pending bills giving

pertinent details such, the ministry, the amount, the year such was incurred etc.

- It was identified that in disregard to repeated advice by the County Assembly to channel funds to devolved functions, adequate allocations to budget items like construction and equipping of ECDE Classrooms and examination fees for vocational centers candidates was conspicuously missing in this budget.
- The Committees needs to interact more with their sector budget to fully understand the provisions made thereto. This will equip them with adequate prerequisite information in undertaking an effective oversight role.

The above notwithstanding, and upon invitation of the Chairpersons to Sectoral Committees to undertake presentations to the Committee, it is important to note that most of the issues were clarified. It was equally discussed and found pertinent for the Sectoral Committees to increasingly hold round table meetings with the respective County ministries. This will equip the members with full knowledge of the ministerial operations.

Public participation

Public participation was conducted on the budget estimates for the financial 2019/2020 on 23rd and 24th May, 2019. The cross cutting critical issues that arose during this exercise will suffice for this revised version under consideration by the Committee. These includes and not limited to the following:-

- That more resources to be allocated to provision of water.
- There was a public outcry on the cumulated pending bills which need to be addressed not jeopardize the contractors involved in these

works and as well avert any risks of civil litigations which might arise therefrom.

- That CLIDP should have been allocated sufficient funds. The cumulatively benefits of projects under this program have positively been felt across the County.
- That the ward development projects were not anywhere located within the submitted budget. However, the revised estimates have a schedule of projects to be undertake within all wards as discussed above in this report. The County Assembly should enhance funding for street lighting.
- The County Assembly should come up with legal frame work for an effective public participation.
- That the county should consider allocation of funds for construction of ECDE Classrooms.
- That the salaries for permanent staff and wages for casuals has consumed unimaginable budget percentage and should be considered with a view to lowering it.
- Enhance allocations for road grading and improved network.
- Consider enhancing allocations for the Ministry of Basic Education, ICT and youth Development to employ more ECDE Teachers and to increase their salaries. In addition to increase funds for youth activities.
- That the County is placing a lot of funds on machinery and vehicles. This should be discouraged and the County to consider rehabilitation of existing ones. The funds earmarked for these items to increase the kit for water provision.
- That the County should consider completion and operationalization of the already existing projects.

Mr. Speaker,

The recommendations in this report will therefore borrow a lot from the concerns raised above in both sectoral and the public views. The committee will endeavor to align the budget in an attempt to accommodate the issues raised amidst the prevailing financial constraints.

9.0 THE COMMITTEE GENERAL OBSERVATIONS.

Mr. Speaker,

The Committee reviewed these estimates vis-à-vis the Public Hearings (as collected against the County budget, 2019/2020), Submitted Memoranda and the Sectoral Committee views. Further, the Committee had an interactive session with the Chairpersons of Sectoral Committees, Members of the County Assembly Service Board (CASB), the County Assembly leadership and the Chair of Chairs who had also attended upon invitation to give more information on the County Executive and the County Assembly budgets for the financial year 2019/2020. Importantly, the Committee had an opportunity to interact with H.E the Governor during the budget consideration. This being a rare occasion, it is a good gesture of cooperation in legislation and implementation of this year's budget.

It is imperative to note that the Committee had also invited CEC Members for Health and Sanitation, Agriculture, Water and livestock Development, Office of the Governor, Trade, Cooperatives and Investment, Lands, Infrastructure and Housing and Urban Development and the County Treasury, upon a resolution that there was need for them to appear to give further clarifications on their sector budgets. This concerned glaring variances and reallocations that appeared between the submitted and the uploaded County budget, 2019/2020. These included but not limited to the following budget allocations:-

- Change in allocation for salaries made for permanent County employees.
- Provisions of salaries for permanent staff as block figures. Salaries are expected to be stated in actual figures.
- Absence of a schedule to explain details of cumulative pending bills indicating the project, contractors, amount and the year when the bills accrued. The amount indicated in the budget memorandum does not reflect precisely as the total cumulative bills.
- Allocations made for pre-feasibility, feasibility studies and research,
- The budget lacks full disclosure of works to be undertaken by grants as some of them were budget as block figures within one budget line. Details of the activities and where they are to be undertaken is crucial to avoid double allocations in the same budget.
- Allocations which were not clearly understood from the explanation notes and even to the Sectoral Committees bearing in mind that the CECMs did get an opportunity to share with the Committees during the Sectoral discussion.

Coming out of the interactions and the discussions made above, the Committee made the following observations:-

i. Comparative analysis of proposed allocations

The submitted revised budget estimates, 2019/2020 has a development allocation of 37% against 63% in recurrent. This indicates some slight improvement from the uploaded budget with 33% in development and 67% in recurrent expenditure despite the overall budget reduction. Though a lean development budget, this is a compliance to Section 107 (2) (b) of the PFMA, 2012.

ii. The budget submitted has tried to provide for the 40M ward projects in all wards with an exception of Mutonguni and Nzambani wards with allocations of Kshs. 39,340,797.00 and 39,857,439.00 respectively.

iii. The budget explanation notes

The submitted budget by both Arms of the Government had explanation notes as required of it under regulation 39 of the Public Finance Management (County Governments) Regulations 2015. Nonetheless, clarifications were necessary in support of the proposed budget allocations.

iv. Adherence to the provisions of regulation 31(c) of the Public Finance Management (County Government) Regulations, 2015

The submitted budget estimates by the County Executive put together with the County Assembly Budget submitted by the Clerk of Assembly would exceed the total resource envelop by Kshs. 232,239,760.00. The committee will seek to rationalize the expenditures during the recommendations to ensure a balance budget pursuant to Regulation 31 (c) of the Public Finance Management (County Government) Regulations, 2015, which provides that the budget revenue and expenditure appropriations shall be balanced.

v. Compliance with the Approved County Fiscal Strategy Paper

The budget as submitted did not totally comply with the approved CFSP, 2019/2020 especially on the ministerial expenditure ceilings. You will find that some allocations to several County Entities either exceeded/ fell below the approved ceilings. The highly deviating

Ministry being the Health and Sanitation which has received additional allocation of Kshs. 573,358,105.

vi. The resource envelop variance from the approved CFSP, 2019/2020

The submitted budget estimates 2019/2020 had proposed own revenue of Kshs. 600M which varied from the approved CFSP, 2019/2020 of Kshs. 500M. This was a non-compliance to approved CFSP resolution as regards to the own revenue.

vii. Key allocations missing in the submitted budget.

The budget lacked allocations for very key budget items which in addition had raised a lot of concern during public participation. These include;

- Adequate allocations to fund the proposed CLIDP Projects.
- Allocations for ECDE Classrooms and recruitment of more teachers. This being a core devolved function.
- Examination fees for students in vocational training centers.

viii. Allocations proposed for salaries for permanent employees.

The submitted budget had a total allocations of 38% for personnel emoluments. This had surpassed the statutory percentage on revenue as provided in regulation 25(1)(b) of 35% of the Public Finance Management (County Government) Regulations, 2015.

ix. That it was critical for the Committee to be privy to the conditions attached to grants funding the budget. This will be of great need in understanding the utilization and application of these grants. This is cautious to avoid binary allocation to one item in this budget.

x. The submitted budget contains a total revote of Kshs. 804,890,944.00 with no share of the same to the County Assembly. However, it of prominence to note is that the County Assembly had

a total re-vote of Kshs. 232,239,760.00 for both recurrent and the development expenditures.

- xi.** The amount allocated for the County Assembly recurrent expenditure is lower by Kshs. 6,025,472.00 to the recurrent ceiling granted by CARA, 2019.
- xii.** That the budget absorption rate for County Assembly was extremely low on the part of development. All the budget allocations for development were not utilized before the end of the financial year 2018/2019. Despite explanations and information on the implementation challenges, a paradigm shift is necessary to employ strategic approach for implementation of County Assembly development budget.
- xiii.** Salary provisions in this budget are put as a block instead of actual figures.
- xiv.** That insurances for County Assets, Machinery and vehicles was separately factored in the each Ministry; which was explained to have aimed at achieving a more realistic and factual budget.
- xv.** The Committee observed that the proposed budget for CLIDP of Kshs. 512M may not be sufficient to cater for the intended development projects taking into account that the same shall be subjected to the CLIDP administrative costs.
- xvi.** The submitted budget has no schedule to explain details of cumulative pending bills indicating the project, contractors, amount and the year when the bill accrued. The issue of pending bills has been re-visited year in year out and as such should be made clear for proper and adequate budgeting.
- xvii.** The budget proposes allocations for KICOTEC as seed capital for Mutomo and Mwingi chapters each for Kshs. 20M. The Committee has concerns that the pioneer Textile Centre at Kitui Town still has a

lot to be done to legitimize and mainstream its operation. Kitui cooperation Bill, 2019 was passed just the other day and regulations to establish such are yet to be done.

- xviii. There was payroll clean up in all ministries which led to budget variations for the salaries across the ministries. This was intended to accommodate salaries in their respective ministries.
- xix. The Committee noted that the Assembly Leadership did not benefit from the vehicles that were bought using the previous year's budget despite there being an allocation for a pool car for their offices. It is the strong feeling of this Committee that the offices should be provided with this facility.

Mr. Speaker,

The Committee during her recommendation will seek to address some of the concerns as observed above while respecting the relevant provisions of the law, priorities and the availability of funds taking into account that the budget must be balanced.

10.0 COMMITTEE SPECIFIC RECOMMENDATIONS

Mr. Speaker,

The Committee took ample time to ensure that every aspect and contribution to this exercises was taken into consideration. Careful consultations were done as the members adequately deliberated on emerging issues of concern while taking into account the available budget resources. As guided by Section 131 (2) of the PFM Act, 2012 and the County Assembly Standing Order 206 (5), the Committee to this end makes the following recommendations: -

A. THE PROPOSED RESOURCE ENVELOP

Mr. Speaker,

The budget resource envelop has own revenue component of Kshs. 600M. The Committee agreed on the proposed figure even though it was against Kshs. 500M in the approved CFSP, 2019/2020. The CECM County Treasury submitted a memorandum to justify the same. The actual revenue collected during the financial year 2018/2019 was Kshs. 443.6M. During presentations on the submitted budget, the CECM County Treasury explained to the Committee that it will not be an uphill task to collect the difference of Kshs. 156,4M since effective mechanism have been put in place to ensure adequate resource mobilization. With no changes to the resource envelop, the County Budget under consideration remains at a total revenue of Kshs. **11,378,500,249**. (See annex ii).

Mr. Speaker,

B. THE PROPOSED EXPENDITURES

To rationalize the proposed budget expenditures in order to accommodate the changes suggested and ensure a balanced budget pursuant Regulation 31 (c) of the Public Finance Management (County Government) Regulations, 2015, the Committee makes the following recommendations:-

Office of the Governor

1. That reduce budget item Training expenses-other (Capacity building and Training) with Kshs. 2.5M under Program I General Administration, Planning and Support Services.
2. That reduce budget item Residential buildings-Governor's and Deputy Governor's Residence with Kshs. 5M under the Program I

General Administration, Planning and Support Services. The balance to be utilized for design and plans for both residences.

3. That reduce budget item Legal dues/Fees, Arbitration and Compensation Payments with Kshs. 5M under Program I General Administration, Planning and Support Services. The County should focus on reduced litigations by ensuring proper engagement of the legal counsel officers.
4. That reduce budget item Contingency Fund (Disaster) with Kshs. 2M under the Program 2 National Social Safety Net (Scholarship Program), Monitoring and Research. This is in endeavor to create savings to offset the budget deficit.
5. That provide additional allocation of Kshs. 90.4M for CLIDP. This will enhance the budget for the fund to Kshs. 602,400,000.00 and thus be able to cover the fund administrative cost without much affective the actual service delivery.
6. That provide additional allocation of Kshs. 15M for Other Operating Expenses-other (Council of Governors activities, Intergovernmental, intra and intercounty Activities) under Program I General Administration, Planning and Support Services.
7. That provide additional allocation of Kshs. 5M for Daily Subsistence allowance under Program I General Administration, Planning and Support Services. This will enhance the allocations for increased mobility in the department.

Agriculture, Water and Livestock Development

1. That reduce budget item Subsidies to Non-Financial Public Enterprises with Kshs. 70M under the Sub Program 4.2 Water Supply Infrastructure. This is meant for cushioning the budget deficit.
2. That reduce budget item purchase of certified Seeds, breeding stock and live animals with Kshs. 5M under the Program 2 Crop Development and Management. This is meant for cushioning the budget deficit.
3. That reduce budget item purchase of distribution of seeds with Kshs. 2M under the Program 2 Crop Development and Management.

Basic Education, ICT and Youth Development

1. That provide an allocation of Kshs. 12.5M under the program 3 training and skills development meant to cater for examination fees for students under vocational training centers.

Lands, Infrastructure, Housing and Urban Development

1. That provide additional allocation of Kshs. 7M for fuel and maintenance of plants and machinery under the department of roads to assist in expansion and grading of access roads.

Health and Sanitation

1. That reduce amount allocated for purchase of software and Universal Healthcare under the program health policy, planning and financing by Kshs. 27.5M and Kshs. 6M respectively. The Committee felt that these items are not priorities at the moment considering the budget deficit.

2. That reduce amount allocated for Contracted Professional services, (Survey on KCHIC) and purchase of ICT networking and Communication Equipment under program forensic and diagnostic by the entire allocations of Kshs.1.5M and Kshs.4M respectively.

Trade, Cooperatives and Investments.

1. That transfer the total allocation of Kshs. 24.5 amount allocated for casual wages under the program General Administration and Support Services to the program Marketing Value Addition and Research and make a further additional allocation of Kshs.15,740,595 to cater for casuals working under KICOTEC. Documents availed to the Committee indicated that the amount allocated the casuals was far much below the required amount.
2. That reduce amount allocated for County Empowerment Fund by Contracted by Kshs.40M under program Trade Development and Promotion to cover the budget deficit.
3. That drop the entire allocation of Kshs.60M earmarked for Purchase of Motor vehicles (Trucks) under program Trade Development and Promotion. This amount has consistently been provided for in the preceding budgets yet not utilized. Allocations to cater for the same will be made once Ethics and Anti-corruption Commission (EACC) cases are disposed.
4. That reduce amount allocated for Purchase of Uniforms and Clothing- Materials under the Program Fair Trade and Consumer Protection by Kshs. 10M. The remaining amount of Kshs.50M is sufficient to boost the operations for KICOTEC- Syongila.

5. That reduce amount allocated for Contracted Professional Services under Program Fair Trade and Consumer Protection by Kshs. 5M. The balance should be sufficient for the intended purpose. Bearing in mind the budget deficit.
6. That provide additional allocation of Kshs. 5M for Registration and Training Expenses of Societies under the program Cooperative development and Management. The idea of societies is a new concept and capacity building is inevitable.
7. That provide additional allocation of Kshs. 60,443,985 for Construction and renovation of Markets and Toilets under Program Cooperative Development and Management. Some markets are in a dilapidated state and the repairs are necessary for improved revenue collection.
8. That reduce amount allocated as seed capital for Mwingi and Kitui South KICOTEC and purchase of Crusher Equipment under Program Cooperative development and Management by Kshs.10M and Kshs. 30M respectively. Despite the reduction of allocations in these items, the Committee felt that the activities are necessary to create employment opportunities and as well expand industrialization in the County. (Hon. Esther K. Ndile had a dissenting view on this as attached to this report **(see annex vii)**).
4. That reduce amount allocated for Advertising, Awareness and Publicity Campaigns and Branding of County Products under Program Marketing value addition and Research by Kshs. 5M. This is meant for cushion the budget deficit.

Environment and Natural Resources

That reduce:-

- Kshs. 5M from the allocation meant for County Tree Growing Program under the sub program Forest Conservation and Management.
- Kshs. 21M the allocation purchase of Laboratory Equipment Phase 1 under the sub program Training and Capacity Building.
- Kshs. 10M from the allocation meant for Construction meant for Mineral Testing Laboratory sub program Training and Capacity Building.

The above cumulative savings of Kshs. 36M be transferred to the installation of Solar Street Lights (Mulika Mwizi) under the program Alternative Energy Technologies.

Tourism, Sports and Culture

1. That reduce amount allocated for Kalundu Eco Park and Mutomo Reptile Park under the sub program Tourism Infrastructure Development by Kshs.6M and 4.5M respectively. The deductions are meant to cater for budget shortfalls.
2. That reduce amount allocated for support initiatives towards Social Economic Development for Marginalized members in the Society under the sub program Gender and Socio Economic Empowerment by Kshs.8M to cushion budget deficit.
3. That reduce amount allocated for Sports Talents Development under the sub program Sport Training and Competition by Kshs.5M
4. That provide additional allocation of Kshs.16M for Sports facilities and playground under sub program Development and Management of Sports facilities to cushion budget deficit.

5. That provide additional allocation of Kshs.2,675,660 for Development of Lower Eastern Heritage Centre under sub program Conservation of Heritage.
6. That drop the entire allocation of Kshs.5M earmarked for equipping and developing of all the Resource Centers under the subprogram Community Mobilization and Development to defray the budget deficit.

County Treasury

1. That drop the entire allocation of Kshs.20M earmarked for car loans to public servants under the program General Administration and Support Services. There are no regulations for the same in place.
2. That reduce amount allocated for updating County Statistics and Updating/Reviewing Development Plans by Kshs.5M each under the program Economic Planning and Policy.
3. That reduce amount allocated for Annual Support to Revenue Automation by Kshs. 10M under the program Public Financial Management to defray the budget deficit.

County Assembly

Mr. Speaker,

The County Assembly Budget submitted totaled to Kshs. 1,062,239,760.00 against the provisions made in the submitted budget by the CEC Member for the County Treasury which was Kshs. 830M. In endeavor to provide for additional budget items identified and considered by the Committee which were not included in the submitted estimates, the Committee hereby makes the following recommendations:-

1. That reduce by Kshs. 3,019,260, being allocation proposed for domestic servant's allowance. This expenditure has been provided for year in year out yet no employment is done.
2. That reduce by Kshs. 2,534,740, being allocation proposed for Board Allowances and Seminars. The amount will be applied to reduce the budget deficit.
3. That reduce by Kshs. 2,033,000 amount allocated for Purchase of Uniforms and Clothing for Staff, under the program General Administration, Planning and Support Services. The amount will be applied to reduce the budget deficit.
4. That reduce by Kshs. 2,613,000, being amount allocation for Legal fees/Dues Arbitration and Compensation payments. With prudence in application of funds, Kshs. 3M in the budget item can suffice. The savings will be applied to reduce the budget deficit.
5. That the total recurrent expenditure for the County Assembly budget be increased with Kshs. 6,025,472. The amount allocated for the County Assembly recurrent expenditure was lower than the recurrent ceiling provided by CARA, 2019.
6. That Kshs. 73,214,288 be allocated to cater for the County Assembly recurrent re-vote from the financial year, 2018/2019. The amount shall be utilized as follows:-
 - Kshs. 20M being allocations provided for members Mortgage. The amount will be sufficient to cater for members' loans taking into account the remaining period to the end of the financial year.
 - Kshs. 53,214,288 for personnel emoluments and other general recurrent expenditure. This is amount spent from this financial year's budget for salaries and other recurrent expenditures for

June, 2019. Non provision of the same will interfere with the provisions made for this financial year.

The development budget items not provided for in this estimates shall be considered in the subsequent budgets due to the prevailing budget constraints.

7. Allocating Kshs. 50M for County Assembly development re-vote.

These allocations to be utilized as follows:-

- Kshs. 10M for acquisition of land for construction of Speakers residence. The Salaries and Remuneration Commission (SRC) has allowed for purchase of land for this purpose where government land is not available.
- Kshs. 10M for construction of members' Makeshift cafeteria and rehabilitation of ablution block.
- Kshs. 10M for construction of office block for doing plans and designs.
- Kshs. 10M under other infrastructure and Civil works for putting up parking spaces outside the County Assembly precincts and construction of a modern gate for the County Assembly compound.
- Kshs. 10M for installation of lifts at the County Assembly Chambers and members pigeon holes.

8. That reinstate Kshs. 1.2M, being Members house allowance out the proposed reduction of Kshs. 5M as seed money for this expenditure for one month. Additional allocations can be made in supplementary budgets once this becomes an allowable expenditure by the SRC.

9. That reinstate Kshs. 5M being, Advertisement, Awareness and Publicity Campaigns out of the proposed reduction of Kshs. 5M. The

Kitui County Ward forums Act, 2019 has been legislated and its implementation thereof will attract more expenditures in budget item.

10. That the amount allocated for purchase of motor vehicle in the County Assembly budget be utilized to acquire vehicles for Assembly leadership offices.
11. That CASB should fast track implementation of the Assembly budget office. Establishment of this office is overdue and should be addressed since budget for the same is available.
12. That CASB should also ensure establishment of the following;
 - A common office where members of Assembly can effectively enjoy secretarial services,
 - Provision for Equipment and support staff to the County Assembly leadership offices.

Other general recommendations

1. That the Committee on Budget and Appropriations urges County Assembly Sectoral Committees to enhance their oversight role specifically on budget implementation. It is work in vain for the Assembly to make very good resolutions which are never implemented.
2. All other proposals in the submitted budget that are not affected by these recommendations to be approved as submitted.

11.0 CONCLUSION

Mr. Speaker,

These adjustments maintains a balanced budget with neither a surplus nor a deficit at a total of Kshs. **11,378,500,249** being Kshs.**10,419,260,489** and

Kshs. **959,239,760** for County Executive and the County Assembly budgets respectively.

The summary of recommended expenditure for the financial year 2019/2020 by program will therefore appear as contained in **annex III** to this report.

Mr. Speaker,

The Committee therefore requests this House to resolve as follows;

That:-

- a) The House adopts this report;
- b) The proposed amendments to the budget estimates 2019/2020 as contained in this report be adopted; and
- c) The recommended budget summary in **annex III** becomes the basis for the appropriations for the financial year 2019/2020.

*Report Compiled by **Charles N. Nyaga** (Senior Fiscal Analyst I), **Mulandi Kavali** (First Clerk Assistant) and **Chris Mwangangi** (Second Clerk Assistant)*