

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 2nd July, 2003

The House met at 9.00 a.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

ORAL ANSWERS TO QUESTIONS

Question No.139

POSTING OF DOS TO MOGOTIO

Mr. Korir asked the Minister of State, Office of the President when District Officers will be posted to all divisions in Mogotio Constituency.

The Assistant Minister, Office of the President (Mr. Tarus): Mr. Deputy Speaker, Sir, I beg to reply.

Currently, there is a shortage of District Officers (DOs) in the country, owing to the fact that the Government has not been employing since 1997. However, my Ministry is in the process of recruiting additional DOs and Mogotio Constituency will be considered together with those that do not have DOs.

Mr. Korir: Thank you, Mr. Deputy Speaker, Sir. It is very difficult for Mogotio Constituency to operate without DOs in all the divisions. Could the hon. Assistant Minister confirm when, specifically, they are going to post the DOs?

Could he also provide Land Rovers for the DOs? The community has been used to seeing DOs moving in Land Rovers. Unfortunately, these days, we find DOs riding on bicycles or hijacking *matatus*, which is demeaning to their status.

Mr. Deputy Speaker: Order! Order! Mr. Korir, did you say that DOs are "hijacking" *matatus*?

(Laughter)

Be serious on this! Did you say DOs are travelling in hijacked *matatus*?

Mr. Korir: Mr. Deputy Speaker, Sir, I did not say they are travelling in hijacked *matatus*, but said they are hitchhiking lifts in *matatus*.

Mr. Tarus: Mr. Deputy Speaker, Sir, indeed, we have operational difficulties in such divisions where we do not have DOs. The Public Service Commission (PSC) advertised positions for District Officers and, as soon as the PSC completes the recruitment, we shall definitely consider the divisions in Koibatek. But, other than Mogotio, we have Sirwa, Kisanana, Emining and Kimorong and also other divisions across the country that do not have DOs.

Mr. Munya: Thank you, Mr. Deputy Speaker, Sir. It is not just a question of not having DOs in divisions, because even Tigania North does not have a DO. But, it is also a question of transport. I

have a DO serving three divisions but without means of transport. How can he deliver services?

Mr. Tarus: Thank you Mr. Deputy Speaker, Sir. The Ministry is taking stock of the divisions that do not have adequate facilities and they will be provided accordingly.

Mr. Korir: I do not have any other question, but I would like to inform the Assistant Minister that the divisions he has just mentioned; that is, Sirwa, Kimorong and Emining, are all within Mogotio Constituency.

Question No.243

OPENING OF GIANCHORE TEA FACTORY

Mr. Mwancha asked the Minister for Agriculture what urgent action he is taking to have Gianchore Tea Factory opened in order to reduce congestion at Tombe Tea Factory which is currently operating above capacity.

The Assistant Minister for Agriculture (Mr. J. Nyagah): Mr. Deputy Speaker, Sir, I beg to reply.

Gianchore Tea Factory is almost complete and will soon be commissioned. The installation of electricity and water is in progress to finalise the work. It is expected that test-runs should start in mid-July and the factory should be fully operational in mid-August.

Mr. Mwancha: Mr. Deputy Speaker, Sir, the answer is satisfactory to me and I hope that the work will proceed as promised.

Mr. Angwenyi: Thank you, Mr. Deputy Speaker, Sir. This factory has a very big problem, because the people from Kitutu Chache have refused to deliver their tea there. I do not know whether the Assistant Minister is aware of that. The Director, Mr. Nyakwara, refused to have people from Kitutu Chache employed in that factory. He even refused to allow water to be drawn from Kitutu Chache. As a result, three zones that should be supplying most of the tea leaves to that factory have refused to deliver their tea there. Is the Assistant Minister aware that the factory has a problem and it might not take off?

Mr. J. Nyagah: Mr. Deputy Speaker, Sir, I am not aware of the hon. Member's allegations. However, I am aware that there are delays in getting the project off the ground due to the farmers' failure to organise themselves to raise 30 per cent of the project's cost, so that the factory can be operational. So, I am not aware of this particular allegation.

Mr. Deputy Speaker: Let us proceed to the Mr. Muiruri's Question.

Question No.343

ELECTION BOUNDARIES
FOR GACHEGE/MATAARA TEA FACTORIES

Mr. Muiruri asked the Minister for Agriculture:-

- (a) when he will draw the election boundaries to pave way for the election of directors of Gachege and Mataara Tea Factories; and,
- (b) what mechanism he has put in place to ensure that the two factories are managed as separate entities.

The Assistant Minister for Agriculture (Mr. J. Nyagah): Mr. Deputy Speaker, Sir, I beg to reply.

(a) The election boundaries for Gachege and Mataara Tea Factories have already been drawn. The election of the buying centre for the two factories was held on 26th May, 2003, while that of the

directors of the factories was held on 27th May, 2003.

(b) The two factories are registered companies as per the provisions of the Companies Act, Cap.486, and they are separate entities with different boards of directors. Therefore, the issue of ensuring that the two factories are managed as separate entities does not arise.

Mr. Muiruri: Mr. Deputy Speaker, Sir, I am almost satisfied with the Assistant Minister's answer. I filed this Question with the Office of the Clerk of the National Assembly in March and we are now in July. So, what I was seeking has already happened and everything is now okay. However, I would like to ask the Assistant Minister one question. Gachege Tea Factory was constructed with the assistance of a loan of more than Kshs400 million. The farmers of Mataara contributed Kshs105 million. Now, who is going to pay the loan? Is it Mataara Tea Factory or Gachege Tea Factory?

Mr. J. Nyagah: Mr. Deputy Speaker, Sir, normally, the legal entity that enters into an agreement with the financier pays. In this case, Gachege Tea Factory will be expected to pay the money disbursed to it.

Mr. Deputy Speaker: Let us proceed to Mr. Muturi's Question.

Question No.291

AWARD OF HEALTH MINISTRY
TENDER NO.MOH(1)99-2000

Mr. Deputy Speaker: Mr. Muturi not here? We will come back to the Question. Let us proceed to Mr. Samoei's Question.

Question No.313

RECONSTRUCTION OF KAMAGUT-
MOI'S BRIDGE ROAD

Mr. Deputy Speaker: Is Mr. Samoei also not here? We will come back to this Question. Let us proceed to the next Question.

Question No.261

REHABILITATION OF TURKANA
CO-OPERATIVE SOCIETY

Mr. Ethuro asked the Minister for Co-operative Development:-

(a) whether he is aware that the Turkana Fishermen's Co-operative Society collapsed in 1980 rendering 500 people jobless; and,

(b) what urgent measures he is putting in place to rehabilitate this once vibrant society in the North Rift.

Mr. Deputy Speaker: Minister for Co-operative Development?

An hon. Member: Absent!

Mr. Deputy Speaker: We will come back to this Question. Let us proceed to Mr. Khamisi's Question.

Question No.245

OWNERSHIP STATUS OF KIDUTANI
/MTWAPA PLOT NO.15A

Mr. Khamisi asked the Minister for Lands and Settlement whether he could explain the ownership status of Government Land Plot No.15A at Kidutani/Mtwapa area of Kilifi District, where private developers are threatening to evict thousands of squatters.

The Assistant Minister for Lands and Settlement (Mr. Ojode): Mr. Deputy Speaker, Sir, I beg to reply.

I am unable to explain the ownership status for the plot referred to by the Questioner as LR No.15A, as this land reference number does not exist in the Ministry's records.

Mr. Khamisi: Mr. Deputy Speaker, Sir, the reason why the particular land reference number does not exist in the Ministry's records is because the land parcel in question is part of Government land, which has been grabbed by an individual. The particular individual acquired a title deed for the land parcel and the title deed has a new reference number for the land parcel in question. So, could the Assistant Minister go back and investigate this matter?

Mr. Ojode: Mr. Deputy Speaker, Sir, this particular land reference number appears to be erroneous. Within Mtwapa area, there is no State land bearing the reference number given by the Questioner. So, we could not identify the said land parcel. However, within Mtwapa area, there is a land parcel, LR No.MN/4/15R as opposed to LR No.MN/4/15A. So, I wonder whether that is the land parcel the Questioner has in mind. If, indeed, he is referring to this particular land parcel, I can give him its details. So, let him confirm whether that is the land he is talking about. Otherwise, LR No.MN/4/15 does not exist in the records of the Survey Department.

Mr. Khamisi: Mr. Deputy Speaker, Sir, I have asked the Assistant Minister to identify the ownership of this particular land parcel. It is upon him to do that. So, it is not for me to help him establish its ownership.

Mr. Deputy Speaker: Order, Mr. Khamisi! The Assistant Minister said that he has details for Plot LR No.MN/4/15R. You have asked for the ownership of plot LR No.MN/4/15A. So, he asked you to confirm whether it is Plot LR No.MN/4/15R or Plot LR No.MN/4/15A that you have in mind. I think that is a reasonable request by the Assistant Minister. What do you say?

Mr. Khamisi: Mr. Deputy Speaker, Sir, the particular land parcel, whose ownership I am querying, is Plot LR No.MN/4/15A, and not Plot LR No.MN/4/15R.

Mr. Ojode: Mr. Deputy Speaker, Sir, as I said, Plot LR. No.MN/4/15A does not exist in our records. However, there is Plot LR No.MN/4/15R, which is within Mtwapa area. As a matter of fact, I can even give him the name of the allottee for this land parcel.

Mr. Deputy Speaker: No! No! No! You should not provide the details for that plot because nobody has asked for them.

Mr. Ojode: Mr. Deputy Speaker, Sir, we do not have a land parcel bearing the land reference number given by the Questioner. I would, therefore, request him to go back and check his records to establish whether the land parcel he is referring to is LR No.MN/4/15A or LR No.MN/4/15R.

Mr. Sasura: On a point of order, Mr. Deputy Speaker, Sir. We have had problems with the Ministry of Roads, Public Works and Housing. Now, a similar situation is emerging with regard to the Ministry of Lands and Settlement. Roads in our country are coded by the Ministry of Roads, Public Works and Housing. For instance, the road between Marsabit and Moyale---

Mr. Deputy Speaker: What is your point of order, Mr. Sasura?

Mr. Sasura: Mr. Deputy Speaker, Sir, the Ministry refers to that road as A2, but---

Mr. Deputy Speaker: Order, Mr. Sasura!

Mr. Sasura: Mr. Deputy Speaker, Sir, the Ministry of Lands and Settlement has officers on

the ground, who can do the job. We are talking about squatters who are being evicted. Is it in order for the Assistant Minister to ask the Questioner to go and verify the land reference number of the land parcel in question when he has officers on the ground, who can do that for him?

Mr. Ojode: Mr. Deputy Speaker, Sir, what I am saying is very clear. Within Mtwapa area, we do not have any land parcel known as LR No.MN/4/15A. However, within that area, we have a land parcel known as LR No.MN/4/15R. The former land reference number is, therefore, erroneous. So, maybe, the Questioner should go back and find out whether the land parcel he has in mind is Plot LR No.MN/4/15R. If it emerges that he is talking about land parcel LR. No.MN/4/15A, I will answer the Question.

*(Several hon. Members stood
up in their places)*

Mr. Deputy Speaker: Hon. Members, we cannot continue with this matter. I would like to direct that we defer this Question and give a chance to Mr. Khamisi and the Assistant Minister to consult on the matter, so that they can come up with the correct land reference number. I believe that there is a problem with this matter, which can be resolved by the two.

(Question deferred)

Let us proceed to Mr. Muturi's Question.

Question No.291

AWARD OF HEALTH MINISTRY
TENDER NO.MOH(1)99-2000

Mr. Deputy Speaker: Mr. Muturi is still not here? The Question is dropped.

(Question dropped)

Let us proceed to Mr. Samoei's Question.

Mr. Samoei: Mr. Deputy Speaker, Sir, I apologise for coming late. Before I ask the Question, I would like to notify you that I have not received the written answer to it.

Question No.313

RECONSTRUCTION OF KAMAGUT-
MOI'S BRIDGE ROAD

Mr. Samoei asked the Minister for Roads, Public Works and Housing:-

(a) whether he is aware that the road between Kamagut and Moi's Bridge, constructed over 30 years ago, is impassable; and,

(b) when the Ministry is going to reconstruct it and at what cost.

The Assistant Minister for Roads, Public Works and Housing (Eng. Toro): Mr. Deputy Speaker, Sir, copies of the written answer to the Question were supplied. I do not know why the Questioner has not received his copy.

Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware that the road between Kamagut and Moi's Bridge is in a poor condition, but not impassable.

(b) The Ministry is going to rehabilitate this road from the financial year, 2003/2004, by patching and resealing.

Mr. Samoei: Mr. Deputy Speaker, Sir, I do not understand what the difference between "impassable" and "in a poor condition" is. Driving between the junction at Maili Tisa and Moi's Bridge, which would normally take about 20 minutes, now takes about two hours. That is a very important road, because we do have the National Cereals and Produce Board depot in Moi's Bridge. The cereals stored in the depot cannot be transported elsewhere because of the poor status of the road network in that area. The road in question is a major one. I have stated that this road was constructed about 30 years ago. The road is in such a bad state that it cannot be patched or resealed. So, how much money will the repair works cost? The Assistant Minister has not indicated how much money he is going to spend on that road. Secondly, when does the Ministry intend to construct that road afresh?

Eng. Toro: Mr. Deputy Speaker, Sir, I agree with the "hon. Minister" that this is an important road. Even the classification---

(Applause)

Mr. Deputy Speaker: Mr. Samoei, did you understand why there was that applause? The Assistant Minister just promoted Mr. Samoei to a Minister!

(Laughter)

Eng. Toro: Mr. Deputy Speaker, Sir, I meant to say "the former Minister". I load the word "former"! I agree that it is an important road and its classification also indicates the importance; it is B2 and is 36 kilometres long. We are looking at the possibility of carrying out complete rehabilitation of this road. When I said it is passable, I meant passable, because even if it takes two hours to go through it, it still is passable.

However, we are working on an estimate to enable the resealing of the 36 kilometres.

Mr. Poghiso: Mr. Deputy Speaker, Sir, roads in Kacheliba are bad. However, they cannot outdo this one. This section of the road is terrible. The Vice-President of this country drives through that road whenever he goes home.

Hon. Members: He flies!

Mr. Poghiso: Mr. Deputy Speaker, Sir, I understand that he flies now because of that road.

(Laughter)

Could the Assistant Minister even drive there and see for himself that one cannot pass Matunda area? The road there is in very bad shape. Could the Assistant Minister tell us how much money has been budgeted for that road? You said that the Government is committed this financial year. How much is the money?

Eng. Toro: Mr. Deputy Speaker, Sir, I said that we are working on an estimate and it would be erroneous for me to give a figure now. I will be able to give a figure in two weeks' time. We are working on an estimate and the possibility of resealing the entire 36 kilometres.

Mr. Deputy Speaker: Last question, Mr. Samoei!

Mr. Samoei: Mr. Deputy Speaker, Sir, besides the cereals depot that is in Moi's Bridge, the Recruit Training Centre for the Armed Forces, together with the Ninth Kenya Rifles, use this road. I cannot over-emphasise the importance of this road. It is unthinkable for the Assistant Minister to allege

that it takes two hours to go through 36 kilometres and still claim that such a road is passable. If the Assistant Minister admits, and says that he will be able to give me an estimate in two weeks' time, could we therefore defer this Question? The people in my constituency want to know whether the Government is committed and whether there is any money that has been set aside for the construction of this road. It is currently in bad state.

Eng. Toro: Mr. Deputy Speaker, Sir, during the last financial year, 2002/2003, when the hon. Member was a powerful Minister during the KANU Government, they only allocated Kshs3 million for the repair of that particular road. The hon. Member should own up and tell the House why, when he was a Minister, they could only allocate Kshs3 million to that particular road which is in his constituency.

(Loud consultations)

Mr. Deputy Speaker: Order! Order, hon. Members! If you look at your Order Paper, business commences not later than 9.30 a.m. I still have two Questions on the Order Paper. Next Question by Mr. Ethuro!

Mr. Angwenyi: On a point of order, Mr. Deputy Speaker Sir. Is the Assistant Minister in order to associate the poor state of this road with the non-performance of KANU? Kenyans made a verdict that KANU was becoming useless and have placed NARC there. Why is NARC blaming KANU?

Mr. Deputy Speaker: Order! Finally, Mr. Assistant Minister!

Eng. Toro: Mr. Deputy Speaker, Sir, this Government is different from KANU. That is why I was pointing out to the hon. Member that, although they could not repair this road, we have a commitment to reseal it and we are working on a budget, despite the hon. Member being in the Opposition.

Mr. Deputy Speaker: Mr. Ethuro, ask your Question!

Question No.261

REHABILITATION OF TURKANA
CO-OPERATIVE SOCIETY

Mr. Ethuro asked the Minister for Co-operative Development:-

- (a) whether he is aware that the Turkana Fishermen's Co-operative Society collapsed in 1980 rendering 500 people jobless; and,
- (b) what urgent measures he is taking to rehabilitate this once vibrant society in the North Rift.

The Assistant Minister for Co-operative Development (Mr. Kenneth): Mr. Deputy Speaker, Sir, I wish to apologise for not having been here when the Question was asked.

However, I beg to reply.

(a) Yes, I am aware.

(b) Arising from the above, the Co-operative Society's members elected a new management committee on the 22nd of February, 2003. The first task has been to recruit new members with a view to reviving the society's operation.

The Ministry, also through the field officers, is giving co-operative extension services through member education and information and training of management committee members to ensure sustainable take-off of the society. We hope that, in the current financial year, we shall carry out further education and training activities at the society with more intensity. Furthermore, the Ministry is

making frantic efforts to identify a suitable development partner with a view to reviving the operations of the society. This is through injection of funds to provide necessary equipment in the form of modern fishing boats and gear. The funds will also help to further undertake feasibility studies on the potential and sustainability of the lake as an economic lifeline of the local people.

Mr. Ethuro: Mr. Deputy Speaker, Sir, the Assistant Minister has not even given me a copy of the written answer he is giving us here. I think I am entitled to an answer before he comes here. You heard the Assistant Minister talk about extension and training services. The people who live along that lake do not need any training. What they need is fishing gear and equipment. We took the substantive Minister to Kalokol on the 6th of May and he promised that - part of the letter shows that - money would be availed and a proposal for Kshs20 million was made to this Ministry. Is he talking about a development partner because this issue relates to Turkana? What is the Government's commitment apart from providing training and education which we do not need?

Mr. Kenneth: Mr. Deputy Speaker, Sir, first of all, the Question is whether the Minister was aware that the Turkana Fishermen's Co-operative Society has collapsed, and I said I am aware.

He also asked what urgent measures we are taking to rehabilitate the society. I said the first measure was to carry out education for the members of the society. We also went to Turkana, spoke with the members and the idea is to recruit more members to the society. In May this year, the Minister and the Permanent Secretary went there. I have answered the Question that the hon. Member asked.

On the issue of money being made available, we have said that we are going to intensify our effort this year. We are looking for a partner to buy more fishing gear. This is a co-operative society; we are not doing fishing. We are trying to bring members together so that they can do fishing.

Mr. Ethuro: Mr. Deputy Speaker, Sir, I need not ask another question. The Assistant Minister has just repeated the answer he gave us and I asked very clearly why he should be looking for a partner for us. What is the Government's financial commitment? This Assistant Minister is joking! We cannot be taken for a ride!

(Applause)

Mr. Deputy Speaker: Order, Mr. Ethuro! To be fair to this Question, and since it also seems we have run out of time, we will defer it to tomorrow afternoon.

(Question deferred)

Mr. Angwenyi: On a point of order, Mr. Deputy Speaker, Sir.

Mr. Deputy Speaker: Just a minute, Mr. Angwenyi! Please, look at the clock!

Mr. Angwenyi: Mr. Deputy Speaker, Sir, I have got half a minute!

Mr. Deputy Speaker: Order! We defer this Question to tomorrow afternoon. I also regret that we have to defer the Question by Private Notice by Mr. Rai. Mr. Rai and the Minister of State, Office of the President, please bear with us. I particularly regret deferring Questions by Private Notice because they are of an urgent nature. We defer them till tomorrow afternoon.

QUESTION BY PRIVATE NOTICE

MEASURE TO ERADICATE INSECURITY IN KINANGO

(Mr. Rai) to ask the Minister of State, Office of the President:-

(a) Is the Minister aware

that there is a lot of insecurity along the Mazeras-Kinango Road, particularly Kasemeni and Gandini Locations of Kinango Constituency?

(b) What urgent steps is he taking to eradicate thuggery in the area?

(Question deferred)

COMMITTEE OF WAYS AND MEANS

(Order for Committee read)

[Mr. Deputy Speaker left the Chair]

IN THE COMMITTEE

[The Temporary Deputy Chairman

(Mr. Rotino) took the Chair]

MOTION

APPROVAL OF TAXATION MEASURES

The Minister for Finance (Mr. Mwiraria): Mr. Deputy Speaker, Sir, I beg to move:-

THAT, the proposals relating to:-

(a) Customs Tariff;

(b) Excise Duties;

(c) Value Added Tax;

(d) Income Tax; and,

(e) Miscellaneous Fees and Taxes, contained in the Financial Statement for the Year of Account 2003/2004 be approved.

*(His Excellency the President has
signified his consent to this Motion)*

Mr. Temporary Deputy Chairman, Sir, as I pointed out when delivering the Budget Speech, the NARC Government assumed leadership of this country when the economy was near collapse. This situation has naturally brought pressure to bear on the new Government and, therefore, occasioned a radical review of erstwhile economic policies, in order to formulate better policies and bring desired changes that will not only restore public confidence in the management of public affairs, but also revitalize the economic vibrancy that all Kenyans crave for.

Mr. Temporary Deputy "Speaker", Sir---

Mr. Sungu: On a point of order, Mr. Temporary Deputy Chairman, Sir. I would have thought that the Minister should have been addressing the Chairman, rather than the Speaker, because now we are in the Committee of Ways and Means.

The Temporary Deputy Chairman (Mr. Rotino): Yes, Mr. Minister, please, address the Chair.

The Minister for Finance (Mr. Mwiraria): Mr. Temporary Deputy Chairman, Sir, I beg your

pardon.

Indeed, towards economic recovery efforts, the Government has already published the Economic Recovery Strategy for Wealth and Employment Creation 2003/2007. This policy is already being implemented; from the beginning of this year, and is given the necessary impetus under the current 2003/2004 fiscal Budget.

In order to specialize and realize our objectives under the recovery strategy, the Government has set various micro-economic targets for the period 2003 to 2007. During this period, one of the targets is to achieve an annual Gross Domestic Product (GDP) of 4.7 per cent--

(Loud consultations)

The Temporary Deputy Chairman (Mr. Rotino): Order! Order, hon. Members! Order, Mr. Wanjala! We are in the Committee of Ways and Means and we must pay attention or consult quietly. The Minister is moving his Motion, and we must hear him.

The Minister for Finance (Mr. Mwiraria): Thank you, Mr. Temporary Deputy Chairman, Sir.

Under the projected micro-economic framework in the Economic Recovery Strategy for Wealth and Employment Creation Paper for 2003/2007, we intend to raise the annual savings from 10.7 per cent in 2002 to 15.8 per cent in 2007. While private consumption is expected to increase, we correspondingly intend to reduce Government consumption as a percentage of the GDP to a target level of 14 per cent. To realize this target and many others that have already been set under the micro-economic framework, the Government has unambiguously undertaken to implement appropriate policies in a consistent and sustainable manner. This will be achieved through prudence in the management of public affairs, where emphasis is being placed on economic governance through integrity and fiscal discipline.

Mr. Temporary Deputy Chairman, Sir, in recognition that the private sector is the engine for growth, the Government shall double its efforts in supporting this sector in its economic endeavour. Towards this end, we shall play a facilitative and regulatory role in a more efficacious and impartial manner.

Mr. Temporary Deputy Chairman, Sir, to ensure meaningful, appropriate and efficient public service delivery, an appropriate Bill aimed at improving work ethics in the Public Service has already been enacted and published. Other than changing the social attitude in the place of work, a law on corruption has already been enacted in order to ensure that public servants do not abuse their offices, or use them for private affairs. All these measures are aimed at fostering integrity and decorum in the management of public affairs.

Mr. Temporary Deputy Chairman, Sir, the potential of our productive sectors has continued to be undermined by various factors; such as the high cost of electricity, poor infrastructure, high cost of credit and poor security among others.

These have either raised the cost of production, or led to general economic decline.

Mr. Temporary Deputy Chairman, Sir, in this Budget, I have proposed to amend the Customs and Excise Act with the aim of boosting the investment climate. To encourage investment and support recovery efforts, duties and VAT on capital goods, plant and machinery have already been removed. As a result, investment geared towards export production will gain from waiver of VAT on the raw materials imported to produce goods for export under the Tax Remission for Export Office or what we call TREO. Items imported to produce goods for export under the TREO will similarly be required to pay only Kshs5,000 as import declaration fees instead of the normal 2.75 per cent.

Mr. Temporary Deputy Chairman, Sir, in this Budget, specific sub-sectors with high growth potential have similarly been targeted in order to make them more competitive. In this regard, I have proposed to remove duty on locally-assembled vehicles in order to give the assemblers added impetus

to assemble vehicles and to encourage local manufacturers to make and fabricate spare parts. This is a viable industry and the potential for backward and forward linkages is enormous. The cost of electricity has also been a major concern to all of us. In order to mitigate electricity costs, I propose to reduce excise duty on oil fuels used in the generation of electricity by 50 per cent. Further, electricity imported in bulk from Uganda will now be exempted from all taxes.

Mr. Temporary Deputy Chairman, Sir, to encourage farming of macadamia and cashewnuts, I propose to remove export duty. Exporters of raw hides and skins will now also benefit from a reduction of export duty; from 20 per cent to 15 per cent. To promote domestic poultry, I have removed import duty on fertilised eggs for hatching.

Mr. Temporary Deputy Chairman, Sir, let me now come to Value Added Tax (VAT). Consumption demand in the economy has been constrained by higher costs that have translated into higher prices for goods and services. In order to reverse the said trend and not only boost consumption but also spur local production, I have proposed reduction of VAT from 18 per cent to 16 per cent. This should immediately translate into lower prices for goods and services, but also should reduce production costs. I propose to reinvigorate investments and support economic recovery by remitting VAT on capital goods, plant and machinery. I propose further to encourage coffee farmers to invest more in quality improvement by zero-rating raw coffee. This will enable farmers to claim tax paid on inputs used in coffee growing and processing.

Mr. Temporary Deputy Chairman, Sir, similarly, in this Budget, I propose to improve business in the tourism sector and promote domestic capacity for piloting through zero-rating aviation spirits purchased by light aircraft owners and operators.

Mr. Temporary Deputy Chairman, Sir, turning to Income Tax measures, I propose to encourage investments for economic recovery and job creation by increasing the investment allowance from 60 per cent to 100 per cent. Medium-size industries have a huge potential for investment and job creation in the Government's recovery efforts. In order to encourage the said enterprises and increase their productive capacity, I propose to reduce the threshold of capital expenditure qualifying for import duty settled against income tax payable from US\$5 million to US\$70,000. What this means is that a Kenyan who wants to invest here in a bakery or in a big drycleaner business in any of the remote areas of the country, will also get this duty settled as an encouragement.

Mr. Temporary Deputy Chairman, Sir, the transport sector, particularly public transport, has been operating in a rather disorganised manner that has not only inconvenienced road users, but also continued to be hazardous to road safety. In order to enforce discipline in the transport sector, I have proposed to operationalise the Transport Licensing Board (TLB) and also reinstate its fees.

Mr. Temporary Deputy Chairman, Sir, to rationalise various fees and charges levied by the Government for the provision of a variety of services, I propose to review these charges upwards in line with the cost of providing such services. The said charges shall fall under various Acts that are under the purview of the Attorney-General's Chambers.

Mr. Temporary Deputy Chairman, Sir, I have just mentioned a few of the proposals contained under the Customs and Excise, Value Added Tax, Income Tax and other Acts. Members will have had opportunity to read about all of them in the Budget Speech. They will also have the opportunity to address these and other specific measures once the Finance Bill is brought to the House and it is expected that they will contribute positively during that debate.

Mr. Temporary Deputy Chairman, Sir, I wish to appeal to the hon. Members, and other stakeholders, for co-operation so that we can pull together in a constructive manner to achieve our national development objectives and raise the standards of living of the Kenyan people.

Mr. Temporary Deputy Chairman, Sir, I must conclude by saying that we must always bear in mind that we need to keep the interests of the poor at heart, throughout, as we implement this Budget.

I beg to move.

(Question proposed)

Mr. Maore: Thank you, Mr. Temporary Deputy Chairman, Sir. I rise to support the Motion by the Minister for Finance; that we approve the proposals he wants to implement in the financial year 2003/2004 as pertains to the Customs Tariffs, Excise Duties, Income Tax and other Miscellaneous fees and taxes.

Mr. Temporary Deputy Chairman, Sir, while supporting the Minister's effort and initiative in putting up a Budget that he feels the Government can implement, we would wish to seek clarification, later, that the Minister will try to seek support from other quarters instead of relying on domestic borrowing as a way of bridging the gap reflected in the Budget. As the Minister has consistently put forward, he has always been referring to "NARC Government" in his statements instead of just saying "the Government", and for that matter, we would wish to ask for some more consistency and seriousness when ensuring that the policy statements enunciated are consistent with actions. I say this because there is a story about a mongoose that went to kill a chicken. In the middle of the activity, while it was removing the chicken's feathers, it was caught by a dog. Now, instead of the dog rescuing the chicken and handing it over to its master, it started to feed on it. I am using this story to explain a situation that is developing where the NARC power barons are very excited about inheriting KANU's "sugar daddies". The power barons who used to wreck havoc in the sugar subsector and were grandfathers of corruption under the KANU regime, have been inherited by the NARC power barons.

(Applause)

Mr. Temporary Deputy Chairman, Sir, this is going to ruin the country because one of the reasons KANU was brought down quickly by the angry voters is the fear by the voters that the same sugar barons might continue patronising, ruining and wrecking the country.

Mr. Temporary Deputy Chairman, Sir, when the NARC Government is talking about corruption and its intention to clean up the mess and to remove the previous clique with the intention of replacing it with its own clique so that they can continue eating together with the same men---

(Applause)

Dr. Khalwale: On a point of order, Mr. Temporary Deputy Chairman, Sir.

The Temporary Deputy Chairman (Mr. Poghio): Yes, Dr. Khalwale!

Dr. Khalwale: Mr. Temporary Deputy Chairman, Sir, you have heard the hon. Member say that some Ministers know the barons who are importing sugar. Could he substantiate and give us the names of those Ministers? We want to know them.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I would be very happy to do it, but I do not think it is appropriate to name some people here when they are all known.

(Applause)

I am sure there are some KANU "sugar daddies" who have been named in public by the NARC Government---

The Temporary Deputy Chairman (Mr. Poghio): Order, Mr. Maore! You might get yourself deep into problems. You know what the Standing Orders say about you standing by what you

state and the accuracy of the information that you are giving. So, you will be forced to withdraw the statement unless you can go ahead and substantiate.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, they have not yet denied having inherited the "sugar daddies". I do not know who wants me to substantiate and for what purpose. What I am saying is---

*(Several hon. Members stood
up in their places)*

The Temporary Deputy Chairman (Mr. Poghisio): Yes, Mr. Khamasi.

Mr. Khamasi: On a point of order Mr. Temporary Deputy Chairman, Sir. I think hon. Maore is completely out of order. The accuracy of what he has stated, really, lies upon his substantiation. Mr. Maore ought to substantiate what he is saying because it is a serious matter.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I am going to do that if that is going to make you happy.

The Temporary Deputy Chairman (Mr. Poghisio): Order, Mr. Maore! Our Standing Order No.73(4) states:-

"No Member shall impute improper motive to any other Member except upon specific substantive Motion calling in question the conduct of that Member".

Ministers are Members of this House!

(Applause)

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, who does not know that some Ministers in the Government have started patronising Ketan Somaia? Who does not know that---

The Temporary Deputy Chairman (Mr. Poghisio): Order, Mr. Maore! Substantiation requires you to give names, but not just to say "Ministers".

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I am wondering why, when I was talking about the sugar barons, Dr. Khalwale became jittery. He comes from the sugar-cane growing belt. I want to remind him that during Easter holidays, in Mombasa, some Members of the Parliamentary Group, Coast Province, complained that they did not get seats because Sajjad, Zubed and TSS had occupied high seats. That is what I meant.

The Temporary Deputy Chairman (Mr. Poghisio): Order, Mr. Maore! I would like you to---

Mr. Sungu: On a point of order---

The Temporary Deputy Chairman (Mr. Poghisio): Order! We are already on a point of order and so we cannot have another one. Mr. Maore, you may have your facts, but it is now time for you to substantiate and tell us which Ministers are patronising sugar barons and you should do that now.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I think there is something funny about you seeking a substantiation. Maybe you know something that you want me to put forward and I do not know what it is. I am referring to the NARC Government; I did not refer to individuals or some Ministers, as having inherited KANU "sugar daddies". I have named the "sugar daddies" and the functions where they appeared. So, if that is not adequate substantiation, I can move forward.

The Temporary Deputy Chairman (Mr. Poghisio): Mr. Maore, you are out of order to impute improper motives to Members; some unnamed Ministers who are hon. Members of this House. Hon. Members do not patronise corrupt people. They are honourable people. If you have anything like that you should bring a substantive Motion before the House. Otherwise, I order you to withdraw and

apologise to the Ministers or you bear the consequence for not doing so.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I think you asked me to state what I was talking about. I have already done that. I do not know if there is any hon. Member you that want us to expose or protect. I can do so. Otherwise, I was just making a general observation.

The Temporary Deputy Chairman (Mr. Poghisio) Mr. Maore, it is not an argument! You have to declare if you want to continue with that course of argument or debate and impute improper motives against your colleagues, or you withdraw and proceed with the debate.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, if the incident I talked about did not take place, then I am ready to withdraw. Did it take place or did it not?

The Temporary Deputy Chairman (Mr. Poghisio): I do not know why we should continue arguing, Mr. Maore!

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I am saying that if there is a Minister who feels offended by that remark, I withdraw---

The Temporary Deputy Chairman (Mr. Poghisio): Order! Ministers are Members of this House!

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I apologise to them if they feel offended---

The Temporary Deputy Chairman (Mr. Poghisio): Order! Mr. Maore, I am not going to continue arguing with you. If you do not withdraw then you have to walk out through that door!

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I apologise.

The Temporary Deputy Chairman (Mr. Poghisio): You may continue now.

Mr. Maore: Mr. Temporary Deputy Chairman, Sir, I can see that friends of KANU are now happy.

There is another matter that needs to be taken care of. We want to support the move by the Minister for Finance, to withdraw duties on electricity, macadamia coffee nuts and hides and skins exports. These are moves in the right direction. The main problem with Kenyan products, like sugar and the rest, is the production cost. We need a wide study and scrutiny on why our production costs should be so high when it comes to producing basic items which become cheaper when they are imported from overseas.

Mr. Temporary Deputy Chairman, Sir, the cost of power in this country has been quite a problem. What the Minister offered, although it is welcome, is insignificant. We need a higher reduction of taxes, so that the cost of power does not cripple the economy of this country. The other point that I want to raise is on the dilapidated infrastructure, which seems to be one of the worst phenomena that have happened in recent times. When you go to Eastleigh Estate and other parts of the country where we had tarmacked roads, you will find that they are in a sorry state. So, as a way forward, we need to have a comprehensive programme to address the issue of the infrastructure. If you look at the allocations made in the Minister's Budget, you will realise that our roads will not be rehabilitated in the next five years. You will repair a road half-way, and by the time you go to the next half, the first half will already be worn out.

The other point I want to raise is the issue of zero-rating tax on aviation fuel. Even though the move is welcome, many people would have wished the Minister had zero-rated tax on kerosene. If the tax on kerosene was zero-rated, we would have reduced the destruction of our forests. The destruction of our forests is happening at an alarming rate because many people are using firewood as their primary source of energy. Our population, which was 7 million 40 years ago, has risen to 30 million, but the forests, which we used to depend on for firewood, have been destroyed. We want the Minister for Finance to address that issue in the subsequent Budget.

There is some inherent insinuation in the Budget. The Minister has tried to over-emphasise the capital gain tax. He wants to reduce it, spur growth and encourage investors to invest, so that, the money will trickle down to all of us. The only way to ensure that the money trickles down to the poor

from the rich people is to have a clearly stated minimum wage. Countries that have stated minimum wages pay their workers well. The Government should calculate the value of an adult Kenyan living in the City of Nairobi. You do not pay that person Kshs70 per day. We would like the Government to conduct a study to determine the minimum wage of an adult Kenya. We should have a minimum wage of, at least, Kshs15,000 per month, or an equivalent of US\$200. So, when we have adults earning Kshs4,000 per month, it is a shame and a dehumanising experience. Something needs to be done, so that, wealth, that is in the hands of a few, can trickle down to the majority, by making sure that we have a stated minimum wage.

Mr. Temporary Deputy Chairman, Sir, if we support the Minister, as he has said, he will not get problems in balancing his Budget. We have no reason not to support him. I hope that, by this time next year, he will not come here and say that he was unable to do certain things that he had envisaged in the Budget.

With those few remarks, I beg to support.

Mr. ole Ntimama: Thank you very much, Mr. Temporary Deputy Chairman, Sir. First of all, I still want to emphasise the fact that the Budget was a good financial statement for this country. The Budget was for the recovery of the economy of this country from the economic wilderness that it has been hibernating for the last quarter of the century. We must commend the Minister, because the Budget's indications are good and the proposals are workable. But the most important thing is facilitating action on some of the proposals that the Minister has made. There are very important areas in this financial statement. There are some areas that we need to highlight, to make sure that the Minister understands everything, so that, when he goes back to translate the proposals into action, he can realise some of those very important areas that he should address.

The road system in this country is in a very sad state. We cannot develop the economy of this country if our road network is not good enough to enable farmers and other entrepreneurs to move freely around the country. Although there is a lot of corruption that has been going on in awarding tenders to contractors, I hope the Minister will address that issue. As far as corruption and embezzlement of public funds are concerned, we are not out of the woods yet. The problem today is that Kenyans know what is happening everywhere. When dealing with the pending bills, which have been accumulated by contractors, the Minister for Roads, Public Works and Housing must be very careful. He should make sure that the people who embezzled public funds; the people who did not do their jobs properly in this country and took away public money, should not only be denied any payments, but should also be punished. We know that pending bills worth billions of shillings have been cooked up by contractors for jobs they have not done. They do not deserve the money and that is a fact. The NARC Government must sit down and make sure that it has dealt with the issue of pending bills because we are very suspicious about them. Already, there is rumour that some people have been paid billions of shillings from the public coffers, when the figures have not been properly worked out and investigated.

Mr. Temporary Deputy Chairman, Sir, the Minister has allocated some money for dams in the pastoral areas. He particularly mentioned the North Eastern province. Our problem in the pastoral areas is water. In fact, it is not even piped water, but water that we can even share normally with our livestock and wildlife. If dams are constructed in these areas, they will help our people.

Mr. Temporary Deputy Chairman, Sir, I was very happy to hear the Minister talking about taxes. I would like to zoom in on the Value Added Tax (VAT). This country has been looted a lot of money by fraudsters. These are foreigners who normally come to this country pretending and posing as investors. As a matter of fact, they are fraudsters. These are people who have "milked" this country a lot of money. They send money outside this country because the system definitely allowed these things to happen. The system even participated in some of these actions of sending money out of this country. We could even see a huge company or people asking the Government to protect them. As a matter of fact, if you go deep into this issue, you will find that not a single cent has been paid to

the Treasury by these people who pretend to be investors. The Minister must follow up on these investors immediately, even if he has to trace back this issue to the last 10 or 15 years and catch up with them. This is because if we do not frustrate these people who are taking money out of this country, then we are not doing anything at all for our people and for the economy of this country. These investors are in all sectors of the economy; it is even interesting to find them in the tourism industry. Most of them have been yelling to that they should be protected, the Government should give them this and that because they are investors. Some of them are good. They have done good investments in this country, but some have come to this country just to loot. Some of these "cowboys" are in this country. We have white and brown cowboys. These are the people who must be checked for stealing---

The Temporary Deputy Chairman (Mr. Poghisio): Order!

Mr. ole Ntimama: Mr. Temporary Deputy Chairman, Sir, I withdraw the word "stealing". They say it is not parliamentary to use the word "stealing".

The Temporary Deputy Chairman (Mr. Poghisio): You can proceed on, there is no problem in using that word.

Mr. ole Ntimama: Mr. Temporary Deputy Chairman, Sir, this is very important. What we really want to see is action so that Kenyans will see that we have sealed up those loopholes which are used to send money out of this country. This country has gained a lot of respect and credibility from the international community. We will be able to follow these fraudsters and make sure that, that money is returned to this country, or they are punished for embezzling funds.

Mr. Temporary Deputy Chairman, Sir, the economy of this country will improve if we all work together. The Minister must not be intimidated. He must not shy away from following up some of these things, however, unpopular they might be. This is because it is the only way we can break through. If we do not eradicate corruption, then we will continue lagging behind. Most of the VAT has not been paid because our own officers have been corrupt. They have been supporting some of these people who take money out of this country.

Mr. Temporary Deputy Chairman, Sir, I will support the Minister all along. I am sure that this House has supported him because of the fact that he is honest and genuine. However, we want action taken. Without action on some of these things, we will all just be talking here. Definitely, Parliament is not a "talking shop". The Minister has presented a good Finance Bill that we should support as we attend to the economy of this country.

Mr. Temporary Deputy Chairman, Sir, with those remarks I beg to support.

Mr. Mganga: Thank you very much, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to this Motion. I stand here to support the taxation measures proposed by the Minister. In proposing these measures, we understand that the Minister is trying to raise enough revenue to finance expenditure, including what may now be a deficit in our Budget. I would like to appeal to the Minister, even if we have a deficit in our Budget, not to introduce any new taxation in the course of the financial year. In the past, we have had a situation where after the Budget has been read, other subsidiary and supplementary taxation measures are introduced. These have hurt the *wananchi* a great deal and destroyed whatever little was given during the Budget.

Mr. Temporary Deputy Chairman, Sir, I know that there are people who would like to support the issue of deficit financing with a belief that it can spur economic growth. I look at it as a pure economic theory that has never been proved anywhere. I would like to request the Minister to find a way of plugging this hole of deficit without necessarily hurting any gross benefit intended for other measures that have been introduced like the reduction of VAT from 18 per cent to 16 per cent and, the removal of the Excise Duty for locally assembled vehicles. Otherwise, all the gains will be wiped out.

Mr. Temporary Deputy Chairman, Sir, taxation for purposes of raising revenue will make much more sense for our people if we can look at certain areas like imports. It does appear now that every time the issue of illegal imports is mentioned, a number of people become jittery. One wonders

why. All these illegal imports; be they sugar, chocolates and clothes coming through the port are not "walking" themselves into this country. There must be some people who are facilitating this. I am very sure that, those who are facilitating the illegal imports are not constables and clerks. They must be people in high Government positions who are helping these illegal imports to come to this country.

Mr. Temporary Deputy Chairman, Sir, when we talk about the sugar issue in this country, it is not only an issue for the people coming from the sugar belt, but it is a national matter. All Members of Parliament in this country must be concerned about this industry. There is no country that has developed economically without some reasonable measures of protecting their local industries. We must take certain measures to ensure that our local industries, particularly, the sugar industry is protected from illegal imports by the so called, "power barons" and "sugar daddies" or whosoever they are in concert with.

Mr. Temporary Deputy Chairman, Sir, we have suffered a number of losses in recent times in terms of revenue, which we are trying to raise now through taxation. The ill-advised travel advisories that were given by the American and the British Governments have cost this country a colossal amount of revenue. How will it be recuperated? Could we as Parliament ask that the Government bills the American and the British Governments for all the amount of money that we have lost as a result of the travel advisories and the banning of flights to Kenya, especially for Nairobi? The ban is still in force for Mombasa.

We are not there to bear the costs of suffering on behalf of the American and the British governments. Terrorism comes in this country as a result of American and British interests. The terrorists are not here to follow the Kenyan people and therefore, whatever suffering a Kenyan goes through, should be billed on these governments. The Government should not go slow on this. We have no business being nice. In any case, even as they advised other people not to visit this country, all the Americans and the British people in this country were still around. If Kenya was that unsafe, they would have brought their aircraft and if possible, escorted by the British designed bombers to protect their people until our country is safe. At the end of the day, we are being made to suffer. We should ask ourselves why we are suffering. Many jobs have been lost in the tourism industry. In the Coast region, hundreds of jobs have been lost. Families are going to suffer because of this and the costs will be on us. The Government must face the guilty parties who are the Americans and the British and ask them to pay for this loss.

Mr. Temporary Deputy Chairman, Sir, I would like to mention one area that is not only of interest to us, but to all Kenyans, especially those in the public sector. We have been talking about the Civil Service being so demoralised because of the low pay and benefits. I have said this before and I will still restate it. I would like to appreciate the gesture extended by the President yesterday, in approving salaries for members of the Armed Forces. This is really commendable. I hope that this will also be done for the rest of the public sector, so that public employees are remunerated in a way that will help them live honourably as members of the Public Service. However, I would like to request that the increase in salaries should not be done piecemeal. We should try and have an approach of looking at the situation of the Public Sector because in the past, we had a problem when some sectors had their salaries increased and others were totally ignored. This leads to demoralisation in the Public Service. There was a commission that was appointed some four years ago, to look into the issue of harmonisation of salaries in the Civil Service. A report was made but of course not implemented. We are requesting that whatever was recommended be effected, and, that all Members of the Civil Service be considered for a salary increase as promised by the NARC Government.

With those remarks, I beg to support.

The Assistant Minister, Office of the Vice-President and Ministry of National Reconstruction (Mr. Mungatana): Mr. Temporary Deputy Chairman, Sir, thank you for giving me the opportunity to speak. The Motion as presented by the Minister should be supported. I rise to support it in general and also specifically, in connection with the measure of reducing the threshold of

taxation for imports on industrial plant machinery, from 5 million US Dollars to 70,000 US Dollars. What this means is that for the first time, the Government of Kenya is making specific efforts towards industrialisation in the future.

The industrialised countries did not develop at the take off stage of industrialisation. They did not develop using big industries. It was the medium- sized industries that spurred off development of industrialisation. When this threshold has been reduced to this level, it means that a lot of medium-sized companies and other investors will take advantage and bring machinery of that amount or of lesser amounts and help the Government towards achieving its goal of industrialisation. Therefore, as I said, we must support this Motion as it comes today. In view of that, I would like to say that these small-scale industries should not be missed by the cashew nut farmers who are based in the Coast. I have said in the past, and I will say it again, that the future of cashew nut farming depends on value addition. It does not depend on the export of raw nuts to other countries where they are processed and then sold to us at a price three or four times higher than it would have been if they were processed locally. I, therefore, wish that there be a re-consideration on the proposed removal of export duty on cashew nuts.

Mr. Temporary Deputy Chairman, Sir, I have said this in the past and I will repeat it today, that if we remove export duty on all products as proposed, there will be no more motivation for anybody to import small scale or medium plant, and tackleware machinery to do some minor processing of that raw nut in the country. The Cashew Nut Policy Paper was developed by stakeholders in the industry, including the Government. It was agreed that the way forward for the take off of these industries is not the big factories but the small scale factories, which we need to take advantage of. This is the measure that the Minister is proposing. At the same time, we should reconsider the export proposal which says that the duty should be removed. If it is removed, then we will have made a step backwards instead of a step forward. When the Finance Bill comes before this House, I hope that this specific proposal will be taken into consideration.

Mr. Temporary Deputy Chairman, Sir, I wish to support the Motion.

Mr. Kipchumba: Mr. Temporary Deputy Chairman, Sir, I wish to support this Motion in view of the fact that the reduction on VAT is insignificant, though it is better than nothing. I support my colleague, Mr. Mungutana who has just spoken. There is more value in a processed product as opposed to exporting raw materials. As the Minister for Finance tries to promote industrialisation in this country, the textile industry, especially those located in the towns where some of us come from, have been neglected for a long time. We have now opened a new factory in Eldoret called Rufa. It has been unable to take off because the Minister for Finance has reduced export duty on raw items like hides and skins. What happens is that only one individual in this case, the person who exports the material benefits, at the expense of the rest of Kenyans.

Mr. Temporary Deputy Chairman, Sir, the industries that used to process raw hides and skins all collapsed because of such measures. The factory in Eldoret relies on wool. However, only one individual buys all the wool, exports it and pockets the money. The factory has been unable to create any wealth and is, therefore, unable to employ 300 Kenyans. If the wool was bought by the factory, it would have been processed so that it would have some added value. The factory would then have employed 300 Kenyans. This would have been more profitable for this country than allowing only one or two individuals to export raw materials in this country.

I support what the previous speaker said as regards macadamia nuts. The same applies to raw hides and skins. Instead of reducing the export duty, we should actually increase it so that all those who would have exported would be forced to sell to the factories in this country. This would have added value to hides and skins, wool and macadamia nuts. As a result, we would have created employment for more Kenyans in the factories. We should sell these products at a better value instead of exporting raw materials and re-importing the processed products into this country.

As we talk, there is an enormous market out there for wool in the world and Kenya has the

potential to produce adequate wool for use in this country. If we do not do this, I do not see how we intend to create 500,000 jobs. If anything, this country will continue to lose jobs because the factories that we are trying to sustain will be closed down.

While I would like to believe that this is a poor man's Budget, fuel oil is not used by the common man; it is used by factories. Reducing duty on fuel oil by even 50 per cent, means that we have only reduced it by 95 cents. If we wanted to help everybody in this country, we would have reduced VAT on kerosene which is used by the poor in this country. We should also have looked at Liquefied Petroleum Gas (LPG) because we are talking of protecting our environment while at the same time, the price of LPG is very high. How will we protect the environment when we are not given cheaper alternative sources of fuel? It is common knowledge that whenever there is an increase in the cost of petroleum, it goes across the board. It is used by the poor and the rich alike. Therefore, the Minister should have looked at ways of assisting the farmers by reducing taxation on gas oil.

It is common knowledge our farmers whose tractors never use the roads have been paying road maintenance levy over the years. We pay road maintenance levy and yet we go to the fuel stations, collect gas oil in our drums and take it to our *shambas*. Despite this, our farmers still pay road maintenance levy of Kshs5.80 per litre. You wonder why a poor farmer should be taxed for a product from which he does not get direct value. The plight of the farmers should be looked into so that we do not pay road maintenance levy for fuel that is used either in maize farms, sugar industries, or wherever because we are not using the roads.

Another area that should be looked into is providing subsidies to our farmers. There is no developed country all over the world that does not provide subsidies to its farmers. I know it is beautiful to say we do not want price controls but this is done in other ways in other countries of the world. How would you expect our products to compete favourably with any other product? How would you expect our maize to compete with maize that is produced in America and yet the produce of America is subsidised by the Government?

I think the Minister for Finance should reconsider reducing taxation on airtime from 10 per cent to 5 per cent. If you talk to many Kenyans across the board, everybody agrees that those were very punitive measures. For those who are very keen, you will note that we started paying the new rates since yesterday. You will realise that now we will be paying more and yet this gadget is now being used by the poor and the rich alike. It is the only means of communication in the very remote areas where even if the Government cannot build the roads, at least, they cannot control the airwaves. Therefore, I wish that the Minister would re-consider his decision because even our cooks, watchmen and maids use this gadget as the only means of communication.

I would like to believe that this Budget is for the poor people. Zero-rating taxes for coffee alone was very discriminatory. We all know that coffee always goes hand in hand with tea. Since we zero rated the duty on coffee we should also have done the same for tea. The positive thing I have seen is the increase in tax appraisal from Kshs5million to Kshs7 million and the increase in investment allowance from 16 per cent to 100 per cent.

With those few remarks, I beg to support.

Mr. Sungu: Thank you, Mr. Temporary Deputy Chairman, Sir. This is one of the most important debates that this Parliament is called upon to participate in because, today, we are discussing how we will approve taxation measures in this country.

The old adage says that there cannot be taxation without representation. Therefore, I think this is one of the most important roles that Parliament is called upon to play in order to approve taxation measures against *wananchi*. We are daily asking taxpayers to pay taxes in the form of VAT, Excise Duty, Pay As You Earn (PAYE) and so on. We hear of incidents, day in, day out, where prominent people in charge of Government engage in corrupt deals which end up eating into the tax payers' money instead of getting this money to help *wananchi*. As we are talking today, the NARC Government has stated that many prominent Kenyans hold billions of shillings in overseas accounts.

The Minister for Finance should have indicated, in his Budget Speech, specific proposals on how he intends to, get this money back into this country. Some of the taxes we want *wananchi* to pay, we could do without or reduce them. The money stashed away in overseas accounts amounts to billions of shillings. If it were brought back to this country, some of our problems could be solved. As the Minister said, the economy is in doldrums. We have had economic difficulties.

Mr. Temporary Deputy Chairman, Sir, my main concern is the fact that the Budget was fair and taxation measures were also fair to all intents and purposes. However, the Minister ignored very important industries such as sugar, fish and cotton. Every time I see something that the Minister want us to approve, I will keep on asking him: What about sugar, cotton and fish?

There are excellent proposals in trying to reduce export duty on hides and skins. The Minister decided to ignore the fact that the hides and skins industry has totally collapsed. Many of our tanneries have closed down because we are exporting raw hides and skins to overseas markets. The end result is that these raw materials are processed and sold back to Kenya in form of shoes and other products. This is unfair because we are killing our own industry. I think there is need for us to increase export duty on raw materials such as hides and skins so that we encourage this industry to grow. If we do so, then the tanneries will come up again, and we will create employment opportunities for our people. Therefore, I think it would be very prudent of the Minister to revisit this issue of reducing export duty on hides and skins. I know that there is a certain constituency that the Minister was, probably, addressing. This constituency is made up of businessmen, mostly foreign businessmen who are benefiting very much from this industry. They export hides and skins to Saudi Arabia and other countries. It is a shame to this country that this is happening right before our eyes.

Mr. Temporary Deputy Chairman, Sir, I am very happy that the Minister reduced duty on beer, cigarettes and removed duty on locally assembled vehicles, *et cetera*. However, as one hon. Member said, the excise duty increased on mobile phone users is a little bit harsh because this is now the principal means of communication in this country. Even in the rural areas, it is the means of communications because Telkom Kenya Limited has done very little in this Republic.

Mr. Temporary Deputy Chairman, Sir, this country earns a lot of foreign exchange from the fish industry. For example, in 1996, according to the figures I have here with me, this country earned over Kshs18 billion from fish exports at a time when this country was in dire need of foreign exchange. This industry, in fact, employs over 500,000 people and it contributes about 4 per cent to the Gross Domestic Product (GDP). Instead of reducing tax on fishing gear such as twines, ropes and fishing nets like it is done in other neighbouring countries like Uganda and Tanzania, we instead imposed duty on them. I would like to appeal to the Minister to consider the fact that we need to afford our fishermen a chance to be able to participate effectively in production so that we can at least make sure that they are also gainfully employed and they contribute to the welfare of this economy.

Mr. Temporary Deputy Chairman, Sir, the Minister feels that the economy is in a state of near collapse. That brings a lot of pressure on the Government. There is an economic strategy for the well-being of this country so that we can achieve economic recovery. As an hon. Member, I want to inform all hon. Members of Parliament that the issue of corruption contributed more than 50 per cent to the economic decline in this country. Economically, our country nearly collapsed. I want to appeal to hon. Members of this House that when we are looking at the issue of corruption we should never look at individuals. As far as I am concerned, there is no holy or sacred cow in this country. If someone was responsible for corrupt deals, let him be dealt with *per se* on his own. We should not defend people who have brought this country down. These people have literally stolen from the common man. They have stolen from poor people and they are driving in Mercedes Benz. We see them even in this House. It is a shame for anybody calling himself an hon. Member of Parliament and elected by the poor people of this country, to defend corrupt people. Let these people defend themselves in courts. There should be no politics, threats or intimidation in this because we are suffering as a result of the actions of a few people. Not all of us who were in the KANU Government

were guilty of corruption. Some of us are, indeed, very poor. We really need to look at this issue honestly. These people have robbed the poor and should answer for it.

(Applause)

Mr. Temporary Deputy Chairman, Sir, I think the Minister should have looked at the issue of incentives in the agricultural industry. I know the Minister has zero-rated duty on tractors. What about the tyres and spares? These have been ignored. These should have been exempted from duty. We need to encourage agricultural production by reducing duty on some of these things. By reducing duty on diesel for agricultural production, we will encourage our farmers in the entire country, including Rift valley Province, Coast Province and Central Province. We could even colour or dye our diesel for easy identification purposes. This is done in other countries. Exemption from duty on diesel for agricultural production will make it cheap enough for our farmers to produce more. As you know, the cost of agricultural production is very high. Currently, most farmers are not making any profit. Some of my fellow hon. Members own hundreds of acres of land. I own less than 10 acres. This measure is one way of encouraging production so that we can have sufficient food and exports. As we talk now, we are importing cotton products from Sudan. They are using water from our rivers to irrigate their land and then we import cotton from them. We also import sugar from Sudan and they irrigate their sugar-cane farms using our water. I think these are the various areas which the Minister should look at so that we can encourage our people to engage in economic production process.

Mr. Temporary Deputy Chairman, Sir, I would like to agree with the Minister with regard to the reduction of duty on *mitumba*. However, I would have liked to see, if possible, some sort of tax amnesty given to various people so that they can be encouraged to pay taxes. We know that there is a lot of money in the black market. We should find ways and means of encouraging these people to bring some of this money back into the economy so that we can utilise it better to develop this country.

Finally, Mr. Temporary Deputy Chairman, Sir, as we tax people we are trying to enable the Government to serve them. As we are talking now, rogue hippopotamus have invaded Nyamthoi and Nyalenda areas in my constituency. One hippopotamus feeds on 20 tonnes of crops. I want to appeal to the Minister to ensure that these hippopotamus are moved to the lake or allow our people to kill them.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

Mr. Omingo: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me a chance to contribute to this very important Motion. This Motion is about the burden our people are carrying and the justification of that burden. Kenya is still one of the highest taxed nations in Africa and, perhaps, in the world. Kenyans do not get value for the taxes that they pay. If I were to advise the Minister for Finance, who is represented here by the Assistant Minister for Finance, I would tell him that we can always cry foul but we must start somewhere. The advice I can give Mr. Katuku is that we can only encourage savings by minimising expenditure and a Government cannot invest if it does not save. This is very basic economics. I wonder why we should pretend and refuse to cut down on expenditure. Last night when I was driving in my "bloody *mtumba*" from Japan, I---

The Temporary Deputy Chairman (Mr. Poghisio): Order! Order! What language is that?

Mr. Omingo: I am sorry, Mr. Temporary Deputy Chairman, Sir. Last night when I was driving a very old junk imported from Japan, I saw in the middle of the night a GK vehicle plying along the Ongata-Rongai Road; that is in the bush! On what business? You wonder what we are doing to cut down expenditure. We must be realistic, if we want to help this nation. The NARC Government has a tall order. I have been saying it and I will repeat it, that those people who determined the fate of KANU, which was almost an indomitable lion of this Republic, can equally do the same if Kenyans do not get value for their tax. I mean what we are saying. Kenyans pay very many taxes which go to

service luxurious items in line with the Executive as it were. So, we are pleading and advising the Government to be able to fit the jacket to our size, let us minimize expenditures. I think it is critical for this nation.

Mr. Temporary Deputy Chairman, Sir, revenue leakage is a serious problem in this Republic. It has been seen by the current Government and they were seeing what the KANU Government was doing, but they are closing their eyes against the evils of society, including the importation of sugar without paying duty. Today, some "dubious" pre-shipment inspectors have been awarded lucrative contracts running up to the year 2005. One wonders; what justification is there to award somebody a Kshs4 billion contract to collect revenue equivalent to Kshs4 billion? I think there is no economic basics here. We have got to be serious about this. If they think our Customs officers are incompetent, they should sack them tomorrow because the pre-shipment inspectors do the job that the Customs officers are doing. But I think we cannot afford to duplicate matters here. We want to have an efficient revenue collection so that we can plug the leakages that we are seeing, obviously, flying on our faces and we are closing our eyes. A day or two ago, the Government sanctioned that contract in total disregard of its circular of 28th May, 2003, that suspended all Government procurement of goods and services. Is the Government leading by example? On the one hand, they sacked all the supplies officers and on the other hand, they have one particular supplies officer in the Treasury approving contracts worth Kshs12 billion in total disregard of procurement procedures. The Minister must state categorically to Kenyans that they are going to either reverse that circular of 28th May, 2003, or tell Kenyans how that contract amounting to Kshs4 billion on pre-shipment inspectors was awarded. They should tell us what the Customs officers are doing.

Mr. Temporary Deputy Chairman, Sir, the Income Tax is a tax that we are almost moving out of and going into the consumption tax; that is, VAT. A while ago, we saw Kenyans rushing towards the Times Towers to pay their taxes because they are obedient taxpayers and they would want to get the services. But are we going to chase rats and leave elephants in the bush? We are asking a person who earns an income of Kshs24,000 a month to declare tax and we cannot so far contain and manage those big taxpayers who are at large. Already, the few taxpayers in the net are not properly serviced and we want to get round and collect tax from everybody else; bring garbage in and garbage out. I think that is a scheme that is geared to divert attention elsewhere than where we are supposed to go. We need to focus at those big taxpayers who are cheats.

Mr. Temporary Deputy Chairman, Sir, the issue of transit sheds needs to be addressed. The Executive and the Treasury officials know that there is tremendous revenue leakage in the transit sheds. In Athi River, we have a Customs officer with the owner of the goods and one askari who are trying to clear goods worth Kshs10 million value of tax. What will stop me from sweet-talking them and getting my problem solved? Those transit sheds must, as a matter of necessity, be scrapped. The Minister has said that they are putting mechanisms in place to streamline them. They are not supposed to exist in the first place. We know who owns them, or who used to own them. These are the same people who have bought their way into the NARC Government and they are pretending to be "good boys" at the expense of the Kenyan taxpayers

Mr. Temporary Deputy Chairman, Sir, we are talking about the increase of levy on airtime. Surely, for heaven's sake, the Minister for Finance must get serious. The only way you can reach your house today if you want to give them some instructions, as one hon. Member said, is by making a mobile phone call. In the past, you could drive kilometres to make calls from a booth, which was not cost-effective, and it also consumed fuel and man-hours. He should reduce that to a reasonable figure, say, 7 per cent instead of the proposed 10 per cent. I think this is ambiguous. We are treating this facility as a luxury, while it is not.

Mr. Temporary Deputy Chairman, Sir, we are talking about the *mitumba* tax. In as much as we want to encourage Kenyans to wear jackets and trousers, which have been discarded by the Whites, it is also necessary and sensible to develop and support our own textile industry which has gone down. We need to have a deliberate policy on cotton growing and also

rejuvenating the textile industry. That will create employment and revenue generation. It will also alleviate poverty among our people.

Mr. Temporary Deputy Chairman, Sir, the Government, in line with its policy of poverty reduction, stated that they would want to---

(Mr. Mwenje consulted with Mr. Katuku)

The Temporary Deputy Chairman (Mr. Poghisio): Order! Order! Order, Mr. Mwenje!

Mr. Omingo: The hon. Member should listen because the hon. Assistant Minister I am addressing is seated next to him!

Mr. Temporary Deputy Chairman, Sir, the Government, in its poverty reduction strategy and job creation, stated clearly that they would want to use the people in the rural areas to tap resources and empower them to create wealth and employment. I think the Government is trying to make a mockery of itself. How do you do it when sugarcane farmers, particularly SONY, are owed a whopping Kshs700 million? You can imagine what that money could do if it was raised and given to those people who are supposed to be paid and generate wealth! Let us stand up to be counted. Otherwise, this kind of budgeting here will be a mockery to the entire system, if we do not address the issues that are at the core and which affect the people of the Republic of Kenya.

Mr. Temporary Deputy Chairman, Sir, we are asking the Government to pay up our sugarcane and coffee farmers. It is not enough to give rebates or VAT reduction on coffee inputs. We need to have a deliberate policy. There should be something to do with marketing of that coffee. We cannot encourage farmers to produce if there are no proper channels of marketing their produce. Middlemen are the ones who are eating into our money. The Government knows that the brokers in our coffee industry are the ones who have killed the industry. We are aware that some farmers take coffee into the factory and at the end of the day, they are given a negative balance after all deductions have been done. That will not encourage revenue generation and growth in this economy. The Minister for Finance should stand up to be counted. He should get serious and address those issues. He should not be blind to reality.

With those few remarks, I beg to support.

The Temporary Deputy Chairman (Mr. Poghisio): Order! Your time is up!

Ms. Mwau: Mr. Temporary Deputy Chairman, Sir, I want to, once again, support the Budget Speech. The Budget for the 2003/2004 Financial year was for the poor. For example, the reduction of duty on fuel by 50 per cent will go a long way in reducing the cost of power. That will benefit women specifically, because they will afford cooking gas.

Mobile phones are no longer a luxury today, but an alternative, especially in the rural areas, where telephone services are not accessible. So, increasing duty on mobile phones from 5 to 10 per cent was too much, especially for the poor people, who actually use them as a means of communication.

Mr. Temporary Deputy Chairman, Sir, while we appreciate that jewellery is a luxury, and can be done away with, things like sanitary towels are necessities for women. They cannot do without them. Therefore, we would like to see zero-rating on them. Imagine the young women in schools and from poor families who cannot afford sanitary towels. So, zero-rating them will go a long way to help women's reproductive roles.

Jewellery is not a luxury among the Maasais, Pokots and Turkanas. Taxing jewellery is actually taxing women on something of necessity. Can you imagine a Maasai, Samburu or Turkana woman without jewellery? What are you doing? Although we are saying that the Budget is for the poor, let us consider the things that we are taxing. I strongly feel that taxing jewellery is actually hurting the women who make jewellery and sell it in the markets.

Mr. Temporary Deputy Chairman, Sir, zero-rating electricity imported from Uganda is a welcome idea. The question is: How is that going to impact on the consumer? Are we going to see the consumer benefitting? Are the prices of power going to reduce? Also, zero-rating equipment for drilling boreholes and water treatment chemicals will enable Kenyans to drink clean water, and other areas will have access to water. Women who walk longer distances will walk shorter distances and save time to do something else. So, it is a good idea.

The zero-rating of raw coffee will go a long way in reviving the coffee farming, which used to be the pride of Kenya. Restructuring taxation in all the co-operatives to make them effective towards economic recovery is a good idea. That will, again, revive the co-operatives that gave credit to the poorest of the poor. I hope that will revive the economy and make credit available to the people who cannot afford it through the banks.

Thank you.

Mr. Muite: Mr. Temporary Deputy Chairman, Sir, in supporting this Motion, there are two issues which I would wish to draw the attention of the Minister to, and ask him to reconsider.

The first issue relates to the Value Added Tax (VAT) on mineral water. Everybody now agrees that tap water in this country is unsafe for human consumption. If you go to hotels, bars and even peoples' homes, it is mineral water that is used. Even tourist hotels use mineral water. Are you aware that, because of the VAT on mineral water, one litre of milk costs Kshs50, while one litre of mineral water costs Kshs100? Last time, when there was a water shortage in Nairobi, we read in the media that people were buying mineral water and pouring it in bathtubs in order to bath. It is an intolerable situation where it is cheaper to bath with milk instead of mineral water. If you buy enough milk and put it in the bathtub and bath, it is actually cheaper than buying mineral water. So, I urge that VAT on mineral water be revised with a view to lowering it, so that, the cost of a litre of mineral water can be equal to the cost of a litre of milk.

Mr. Temporary Deputy Chairman, Sir, the second issue that I would like to raise is this: If we are going to create employment, it is the small-scale and medium-scale industries that do it. They are the greatest employers and not the bigger industries. Therefore, when you examine the regime, first of all, the Customs Duty on imported clothing materials for making dresses--- Our small-scale industries which make dresses are manned by women. We want our ladies, daughters, sisters and our wives to dress properly, so that, they can continue to be attractive and feel that they are properly dressed.

Most women in this country would have liked to buy or wear dresses made in this country if they were affordable. The small-scale businesses which import the materials for making dresses pay Custom Duty and the Value Added Tax (VAT) to the Government on the materials they import into the country. These businesses also pay the VAT to the Government when they sell the dresses they have made. This makes the dresses they make and sell unaffordable to the majority of women in this country. This is not rational. There is a threshold; if the turnover of your business is below a particular figure, you do not pay the VAT. This means that it is quite common to find a shop in the same area selling the same dress at a price which is lower than that of the shop next door. The shop which sells its dresses at a low price does not pay the VAT because it has not reached the stated threshold turnover. So, there is need to rationalise the Custom Duty or the VAT levied on dressing materials.

Mr. Temporary Deputy Chairman, Sir, I can remember that I presented a memorandum on behalf of traders in this country to the Minister for Trade and Industry, Dr. Kituyi. I am aware that the Minister for Trade and Industry forwarded those recommendations to the Ministry of Finance, and yet it has not factored those recommendations in the Budget because the situation remains the same. If the Government is to create employment opportunities for its people, then the Minister for Finance should consider rationalising taxes levied on materials for making dresses. The women who run businesses employ tailors. If the Minister lowers the tax, the multiplier effects will be very high and, above all, we will make locally made dresses affordable to the majority of our people. This is one way

of creating employment opportunities and looking at the interest of the local people.

If the situation is not rectified, we will forever continue to buy *mitumba* clothes for our women because they are cheap. Our women do not love buying second-hand dresses, but they buy them because they are cheap. If these women are given an alternative of having new dresses made in our country, they will buy them because they also have a sense of self dignity and respect. No lady would like to buy *mitumba* dresses if she can afford to buy a tailor-made dress. Our people will buy locally made clothes if tax on materials used to make them is lowered. If this is done, it will create employment opportunities and enable our women to wear new clothes made locally in this country. This can only happen if the Ministry of Finance rationalises the taxation regime in form of import duty and the VAT.

Mr. Temporary Deputy Chairman, Sir, subject to those two issues, I beg to support the Motion.

Mr. Sambu: Thank you, Mr. Temporary Deputy Chairman, Sir. I want to support the Minister on the proposals regarding the various duties. I would like the Minister for Finance to consider the following. The Government has proposed to reduce the export duties on most of the products we produce in this country. We produce raw materials like hides, skins, wool and macadamia nuts. I come from the North Rift, and know that the highlands of this region produce a lot of wool. Since the collapse of Raymond Woollen Factory in Eldoret there has been a problem of lack of purchasers of local wool. That factory has now been bought by a new investor, who paid Kshs300 million to whoever held a mortgage and a lien over it. The new investor is prepared to open it, but where is the wool? One individual is buying the local wool. Because the Government is promoting him by reducing export duty on wool, it will not create the 500,000 jobs it promised Kenyans during the campaigns. We can open one factory which employs 300 people, and into which an investor has put Kshs300 million. The people of Marakwet District want to sell their wool at a higher price but they cannot. If the people of Marakwet District sold the wool to that factory in Eldoret, they would be able to negotiate for a better price, but now they are selling the wool to an exporter who has not been seen in Marakwet, the highlands of West Pokot or Nandi District. This exporter has also not been seen in Molo. We have to review our export duties.

There is a huge cashew nut factory at the Coast. We summoned the management of that factory to appear before the PIC here at Parliament Buildings, and it was ridiculous that they told us that some people had purported to have bought it. Now we are exporting our raw cashew nuts. Think of the prices at which the people of Kilifi, Kwale and Lamu Districts sell their raw cashew nuts. The lives of the *Mijikenda* and other communities in the Coastal area have been ruined. If the NARC Government intends to create the 500,000 jobs it promised Kenyans, then it should increase rather than reduce export duties on these raw materials.

Macadamia nuts grow almost throughout the Republic of Kenya. But we are encouraging the export of raw macadamia. Macadamia is such an easy product to process. You just crack the nut, get the oil and the flesh which you roast and pack. If you do that you make a lot of money. We are still encouraging our Asian friends to venture into this business. I have nothing against the Asians, but it is bad when a nation mortgages itself to foreigners. Our students who go to India are not even allowed to be shoe-shiners, but the Asians are running every business in this country, including exporting this product.

Mr. Temporary Deputy Chairman, Sir, do you know how many hides and skins factories are in Kenya? All the tanneries in Kenya are practically closed now because we reduced the export duties levied on these raw materials. If the former Government, in which I was a rebel, did it, why is the present Government continuing to do it?

The NARC Government promised cereals farmers on Madaraka Day that it would reintroduce the Guaranteed Minimum Returns (GMR) Scheme. What happened to the GMR Scheme? We want the GMR Scheme to be reintroduced so that if a farmer is faced with a crop failure due to drought or

floods, he or she is saved by the waiver provided by the GMR Scheme. Nowadays, farmers have a big problem cultivating wheat and maize. The Government should reintroduce the GMR Scheme.

This Budget proposes to reduce duty on fuel oil, which is heavier than industrial diesel. Fuel oil is used to fire heavy boilers. Why did the Government reduce duty on fuel oil but failed to reduce duty on industrial diesel? I wonder whether the Minister really bothers to take note of such matters. When people know that their votes cannot be shot down, they do not care. There is a difference between fuel oil and industrial diesel, and yet nobody cares.

Mr. Temporary Deputy Chairman, Sir, the Minister overrides the Parliamentary Service Commission and reduces its budget. This should not be done because the Parliamentary Service Commission Act, Section 45(a) and (b) makes it an independent body. Section 45(b)(iv) says that, in deciding its functions, the Parliamentary Service Commission is not subject to any person or authority, whatsoever. So, why was our budget reduced and yet, we budgeted for it in the House? We budgeted for every constituency.

I understand the reduction was necessitated by some donors and in fact, some of the donors asked us why the MPs want Kshs20 million. It is not the MPs but the constituents who want this money. Mr. Minister, you should tell Kenyans why you do not want every constituency to be allocated Kshs20 million per year. Certain people might be coming from rich areas, but, have you gone to some constituencies and seen the level of poverty, the lack of hospitals and dispensaries?

We shall discuss this when we come to the Ministries, but, how come one district gets Kshs200 million and another gets Kshs2 million from the same Ministry? We are talking about discrimination and that is what we will be saying at the Bomas of Kenya. We will press for devolution of power because we all pay duty and tax. Nandi district, from where I come, produces tea which earns the country nearly Kshs15 billion per year. But what development goes to my constituency? Only seven kilometres of tarmac is in Mosop Constituency. The areas in Tinderet were vacated by those in Mosop through the law of the gun; the British had the gun.

Mr. Temporary Deputy Chairman, Sir, we have to be cautious on how we distribute development projects.

With those few remarks, I beg to support.

Mr. Muriungi: Thank you Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to support the taxation measures as contained in the Financial Statement for the year 2003/2004. I would wish to commend the Minister for zero-rating the tax on computers. This is an important step and very timely, as it will reduce the cost of computers, especially for use in schools.

It is the right time for this country to demystify the use of computers. Information technology is a norm everywhere in the world, and the use of computers, especially in our schools, will put us in step with the rest of the world. We have reached a time when the use of computers should be treated as a basic requirement. In the rest of the world, the use of the computer is no longer a preserve of a few. When we talk of computerisation of our schools, we should not talk of our cities and forget the countryside. Therefore, electricity should be provided to the rural areas, so that all our schools can benefit from this modern technology. It is not only schools which need to benefit from this initiative. Even we, hon. Members, need to be computer literate. When you attend an international conference, you will see everybody at that conference recording the proceedings on a laptop computer, while some of us use the old-fashioned way of taking notes. So, we should live up to the standards of the rest of the world.

Mr. Temporary Deputy Chairman, Sir, the issue of mobile telephones has been raised by several hon. Members. The raising of Excise Duty on mobile telephone airtime from 5 per cent to 10 per cent is quite punitive because use of mobile telephones is no longer a luxury. Even our children in school need computers to communicate with their parents. They have to communicate from one end to the other, especially when there is a breakdown of fixed lines. Therefore, the move on the mobile telephone subsector should be reconsidered because it is very important for us to communicate using

mobile telephones. Up to yesterday, one could send a short message to another mobile phone for only Kshs2. Today, it costs more than Kshs5 to send a short message to a friend. So, the increase in Excise Duty on mobile telephone airtime is punitive and should be reconsidered.

Another issue that I would like to comment on relates to the Value Added Tax (VAT). It is good that VAT has been reduced from 18 per cent to 16 per cent. This move will definitely improve on compliance. However, the Minister should note that there are people in this country who know how to avoid paying VAT, especially business people of Asian origin. If you go to buy an item from these people, they ask you whether you want a receipt or not. If you say that you do not want a receipt for the item, the sale price of the item will be exclusive of VAT. If you insist in having a receipt for the item, its sale price will be higher because it will be inclusive of VAT.

Our tax inspectors, therefore, should ensure that such tax evaders are punished. As in other countries, tax evasion should be made a very serious crime. In the United States of America (USA) and in some European countries, tax evasion is one of the most serious crimes that one can commit. So, there is no reason as to why tax evasion in this country should not even become a treasonable offence since tax evasion leads to impoverishment of the country. When the country gets impoverished, we find ourselves at the mercy of other countries. Tax evaders should, therefore, be punished severely. The Government does not engage in business. In fact, the Government should hand over all its functions of a business nature to players in the private sector. In fact, at one time the former Prime Minister of Great Britain once said that a government should have no business engaging in activities of a business nature. Instead, Kenyans should be encouraged to engage themselves in profitable business, pay tax on their businesses and enable the Government to promote national development.

Mr. Temporary Deputy Chairman, Sir, another issue I would like to comment on is renting of private premises by the Government for its offices. The Government loses a lot of money to private property owners through payment of rent. The Teachers Service Commission (TSC), for example, pays millions of shillings per year in rent to the owners of the Bazaar Plaza. That money could be better used to improve the teachers' remuneration. There is a temptation by Government officials to collude with property owners to fleece the Government of money. It is time the Government made maximum use of existing Government buildings, especially the Kenyatta International Conference Centre (KICC), which had been grabbed. In fact, the Government should speed up the process of acquiring that building, so that the TSC and other Government Departments currently housed in privately-owned premises can be accommodated in it.

Another issue I would like to talk about is equitable distribution of the money meant for development expenditure. Most of us do not critically look at the books detailing the Recurrent and Development Estimates. If you look at them, you may be happy that money has been provided for the development of your area. However, a critical look at the details may show that your constituency is not allocated anything; another constituency is allocated a lot of money for development, while other constituencies are allocated very little money. So, the Minister should ensure that there is equitable allocation of money for development.

I would now like to refer to the issue of security, which everybody in this House has been talking about lately. We know that the USA and the United Kingdom (UK) have lately given us rough time, and our economy is not doing well. We should not kneel down before anybody. In fact, the compensation they want to give us for the losses we have incurred through the slump in our tourism sector is very little. My constituents have also lost a lot of money due to suspension of flights from Kenya to Somalia. So, I would like the Government to consider compensating the people of Meru North for the losses that they have incurred as a result of the Government's ban on flights to Somalia, just like the Government is being compensated by the USA and UK for loss of revenue following the travel advisories issued by the two foreign Governments to their citizens. So, I am appealing to the Government to consider us for compensation. The *miraa* business is our lifeline as I

have always stated.

With those remarks, I beg to support.

The Assistant Minister for Home Affairs (Dr. Machage): Mr. Temporary Deputy Chairman, Sir, the resuscitation of the economy, which has been in an intensive care unit, could not have been done easier than is being done now. I fully support the proposals relating to the customs measures we are discussing today.

However, we know very well that the Ministry of Finance has lost a lot of revenue by using wrong staff in its endeavour to collect tax, especially the customs officers stationed at border posts in the whole country. I happen to come from a constituency which has a few of these posts; Sirare and Nyamtiro posts. A lot of revenue is lost here as most of these officers do not really know what to do. They have to be educated and trained on the relevant changes that are there now.

Tax should be collected in a civil manner. The Government loses a lot of tax simply because of the method they use to collect it. Tax collectors have become brutal and citizens run away from them whenever they see them in their yards. In so doing, they lose the opportunity to collect tax from Kenyan citizens. They have to develop methods that are friendly to the Kenyan people so that they can collect whatever is available. What do they gain when they seize an account of a citizen, attach all his property or tow it to the police station? Where do they expect such a person to get tax, if they have actually seized whatever he is using to collect the money they could have got? They have to change their system of tax collection.

Tax collection should not be politicised like it used to be in the last regime. I was a victim. All Kenyans should be handled and assessed equally and fairly. Just because somebody is in the Opposition does not mean that the tax department has a right to move into his yard and over-assess his property with the purpose of finishing him. These are Kenyan citizens who should be patriotic in their thinking when it comes to tax collection.

It is true we have to enhance industrialisation in our country and more so, rural-based industries. We really support the suggestions on micro-financing, but the Ministry has not yet enforced whatever they had suggested on making banks reduce their rates of lending to Kenyans. Most banks and even the so-called micro financiers are still charging very high interest rates. When they tax people at a flat rate of above 20 per cent, they are fleecing a lot of money from Kenyans unfairly. These people have to be made to lower their interest rates. Kenyans have to pay low taxes because this is the only way we can have everybody participating in the economic growth of this country.

We need to review some of the agreements and treaties that govern our economy in this region. If we find that COMESA is not good to our economic growth, why should we belong to it? It should be scrapped. We should think and move forward. The sugar industry is a victim of COMESA. Right now, Kenyans from Western and Coast provinces have lost millions of shillings with this COMESA issue. Of what benefit is it to us? Some of these treaties and agreements are totally unfair to the citizens.

The taxation bracket of the civil servants, Pay As You Earn, should be increased. I think a special Bill should be introduced in this Parliament to increase this bracket to at least Kshs25,000 per month. Really, how much is the Kenyan shilling valued now when you go to the market to buy anything? These people are suffering. It is true that they rushed to Times Towers to fill in forms, but were they happy? Immediately our economy picks, civil servants should be highly considered for reduction of some of this taxation.

As a person from Western Kenya, I would expect the Minister to introduce another Bill to include farm produce coming from those areas. Taxes on coffee, cotton, pyrethrum, tobacco, tea and the fish industries should be zero-rated. Taxes on computers have been zero-rated and I would, therefore, urge the Minister for Education, Science and Technology to supply computers to at least every secondary school in Kenya.

Taxation on the mobile telephone industry might sound really harsh, but everyone knows the

importance of having a mobile phone in Kenya right now. It is a fast moving product. I will take a different view and commend the Minister for Finance for having taxed this industry. Everybody is forced to buy a mobile phone today, and as such we should pay tax. Kenyans should pay tax, and that is a very good method of collecting tax.

As for the Constituency Development Fund, each constituency was allocated only Kshs2 million. We were told that there was no money, and as legislators, we understand. But let us be given the exact date when the balance of Kshs18 million will be given to us in the constituencies. This is because most Members of Parliament have already announced to their constituents that there was going to be a Kshs20 million development fund. What are we going to tell wananchi, now that we only have Kshs2 million? Actually, the budgeting and allocations have already been done at the constituency level. We believe that Kenyans are going to pay their taxes, and sooner or later, let the Minister tell us when the balance of Kshs18 million will be given out within this financial year. If this cannot be accomplished this financial year, then it should be paid in arrears during the next financial year. So, we will expect that in the next financial year, we will get Kshs38 million for the Constituency Development Fund.

The Minister of State, Office of the Vice-President and Ministry of National Reconstruction (Mrs. Kilimo): Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to contribute on the taxation measures.

First of all, I would like to say that the Ministry of Finance and the Government as a whole, is a Government of the people and by the people since it took into consideration people from the Arid and Semi Arid Lands (ASAL). For the first time, we have been provided for in the Budget. For example, the tax on hides and skins has been reduced, a measure which will enable the people from the ASAL areas, who are not able to participate in productive farming, to also get an income for themselves.

I also want to support the fact that the Budget was family-friendly. For example, we have been experiencing an economic depression, with many families trying to survive, especially the women, who have been struggling to get an extra income for their families. Most women participate in small income generating activities at home, like keeping of chicken broilers or layers. I want to thank the Minister for Finance for taking that into consideration, and for zero-rating tax on fertilized eggs. For once, now, women can earn more money and contribute to their family budget.

Mr. Temporary Deputy Chairman, Sir, the cost of soft drinks went down. Since the economy was in bad shape, most people could not afford to drink a soda, but now they can afford it.

Mr. Temporary Deputy Chairman, Sir, I also support this Budget because it was friendly to people from ASAL areas. As we all know, hon. Members from ASAL areas are in the Opposition, contrary to what one hon. Member said yesterday, that the Budget has catered for NARC zones. It is not true because it is for the whole country. For example, when it comes to boreholes, you will find that most of them are in these ASAL areas. I appreciate the fact that the tax on drilling equipment for boreholes was reduced, so that even NGOs and the Government can afford to drill boreholes for the communities that need them.

I beg to support the Budget.

Prof. Oniang'o: Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to comment on the Budget, but specifically on this section dealing with taxes. I will start by saying that more than 70 per cent of Kenyans live below the poverty line. They live on less than a dollar per day. In fact, a dollar is worth Kshs70. When I go to the rural areas, my women do not even have Kshs10 in their pockets. So, we are talking way below the one dollar that is normally quoted. This is an environment where Kenyans are extremely poor and I would have liked to see this Budget address the issue of poverty. It has not done that.

Mr. Temporary Deputy Chairman, Sir, on the issue of taxation, we are aware that the Government receives its income from taxation and they have not been very innovative on how to

collect this money. If you take the computers, for example, yes, taxation has gone down, but we need to see these computers go to the schools in the rural areas and generate jobs. They cannot do so when the cost of communication is high. What is the point of having computers? It is for sourcing information from the internet. You cannot do so if the telecommunications is expensive. So, obviously, there has not been cross-referencing here.

Mr. Temporary Deputy Chairman, Sir, if you look at the agricultural sector, we have some crops which need to be protected by the State. I will continue to mention sugar in this aspect. For example, if you go to the Mwea Rice Scheme, the rice farmers are malnourished and poor. They do not even own that crop and they are the most abused lot of farmers and we sit here in Nairobi not knowing what is happening with the rice farmers. If we take the case of rain-fed rice that is grown in Kano Plains in Nyanza Province, we will notice that we are not addressing that issue. The same applies to the grain and cereal sub-sector where maize, sorghum and legumes are grown. We have not done justice to the agricultural sector. We need a situation where taxation is removed and the inputs are much cheaper for the farmer, so that we appreciate what the farmer does for this country, and feeds Kenyans and, in fact, generates income for Kenya.

Mr. Temporary Deputy Chairman, Sir, if you look at VAT, we keep on talking about this. It has been reduced from 18 to 16 per cent. Yes, bread, sugar and other consumables do not attract VAT directly, but the cost of production is taxed. The inputs in production are taxed. So, obviously, they are affected by VAT indirectly.

As concerns mobile phones, I want my mother to be able to talk to me because she is eight hours away by road and I cannot see her all the time I want to see her. We are all aware of how we need to connect the rural areas and different parts of this country so that we improve communication. Communication is an essential item and it is no longer a luxury, and we are aware that taxation on airtime was increased because we consider mobile phones to be a luxury item. They are not and already reports are showing that the sale of mobile phones has gone down. So, what is the economic sense in all this?

Mr. Temporary Deputy Chairman, Sir, on collection of tax, we are already aware that people are not meeting the deadline. The method used to collect tax is punitive, complex and it is going to cost more money than we are trying to save. So, one has to look at these complexities and try to minimise them and make the method of collecting tax friendly, like another speaker said here.

Mr. Temporary Deputy Chairman, Sir, do you know that women are harassed in markets when they try selling vegetables, fruits and other things because somebody is collecting cess? I do not know whether this has been addressed. They sit there the whole day for ten hours and they take home nothing because they are harassed by askaris left and right. This is not right. We have to look at the social aspect of tax collection. We have to make this a responsible way of collecting it.

Mr. Temporary Deputy Chairman, Sir, we find that we have to have some incentives for people to pay tax. We find that in foreign countries there is a whole amount of tax exemption on amounts that go to charity, and we know that the NARC Government wants to do away with Harambees. If they want to encourage Kenyans who have extra money to contribute towards school fees, charitable activities and so on, a tax exemption system has to be put in place. We know that in some countries, such as America, this is what has made people contribute to charitable organisations and activities. We want to see some innovation in this area.

Mr. Temporary Deputy Chairman, Sir, we have to see where the taxes go. It cannot just be tax collection all the time. In countries where tax collection is efficient, you find that, in fact, you do not spend much on certain services like health care and schooling. You see where your taxes go and then you automatically begin to pay taxes voluntarily and willingly because you see where your taxes go. However, this Government has not shown us where the taxes go to. As far as we know, we know they go to the wrong places. I believe that we need to see more innovation in this whole area of taxation, and we hope it can be done before the next Budget.

Mr. Temporary Deputy Chairman, Sir, let me stop there. I think I have said enough about taxation.

The Assistant Minister for Justice and Constitutional Affairs (Mr. Githae): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity. I rise to support the Motion. I congratulate the Minister for Finance for juggling the finances of Kenya to the extent that all the sectors have been satisfied. It is very unfortunate that the NARC Government inherited not only empty coffers, but actually debts. In fact, it is wrong to say that we inherited empty coffers. There is nothing like that. What we have there are debts to the tune of Kshs630 billion. That is what we inherited. We inherited these debts to the extent that the NARC Government is living from hand to mouth because the Central Bank of Kenya (CBK) has nothing. The coffers are empty. There are only debts there to the tune of Kshs630 billion. In fact, even the Kenya Revenue Authority (KRA) has opened what they call a "Taxpayers Section" whereby by the second day of the month, if the larger taxpayers have not remitted their taxes, they are called and asked to pay them. So, that is what the Government is living on; hand to mouth because we inherited only debts.

Mr. Temporary Deputy Chairman, Sir, I would also like to congratulate the Minister for Finance for reducing taxes on medicines, particularly the drugs that are used by the HIV/AIDS patients. I think there are two things that we need to talk truly on. First, we need to find out why the HIV/AIDS epidemic levels are not lessening here in Kenya as they are doing in other countries like Uganda. Secondly, we also need to find out why the prevalence of HIV/AIDS in Africa is higher than that in the other countries. I think I have an answer. I think the answer is that we Africans need to change some of our habits. If you go to the Western countries, you will notice that young boys are satisfied with just being kissed. Similarly, young boys get satisfied when the girls hold their hands. I think we need to copy those habits. But with African boys, they are not satisfied with kisses or the mere holding of hands only. They go for the "big dish." I think that is the cause of the HIV/AIDS epidemic in this country. We need to accept that kissing and holding of hands is not unafrikan. There is nothing African to engage in indiscriminate sex. We need to change that habit and educate our boys and girls to copy the European habits - I think they are good - so that we can, at least, stop the HIV/AIDS epidemic in the country.

Mr. Temporary Deputy Chairman, Sir, I want to congratulate the Minister for Finance for tackling the crisis in the coffee subsector, but we need to have changes in the coffee industry so that the coffee farmers also get a monthly payment like the tea farmers. I do not know why the coffee farmers should not get the monthly payments and bonus at the end of the year, like the tea farmers. The coffee farmers have a lot to copy from the tea farmers, for example, how they handle the tea industry, so that even the coffee industry copies something from the tea subsector.

Mr. Temporary Deputy Chairman, Sir, I want to thank the Minister for Finance for reducing Value Added Tax (VAT) from 18 per cent to 16 per cent. Unfortunately, our traders do not support the Government. Quite a number of traders have two types of accounts books. One reflects the true VAT, and another one which is brought out in the evening, to show false amounts. It is the fake accounts books that are shown to the VAT officials and then VAT is paid on the basis of the fake accounts books. I think the VAT Department needs to have what I would call a "vigilante group" to be going round all the shops and trading centres, to make sure that the right VAT is charged and the Government collects the proper taxes. VAT, or sales tax as it is known in Western countries, is the best known form of taxation and I do not know why it is not so effective in Kenya as in other countries. So, we need to find out why the traders have two sets of accounts books and very promptly pay VAT based on the same fake accounts books. We need to copy the system that is used in UK, where the cash registers are wired to the VAT Department so that tax authorities can know how much it has received everyday. Turning to coffee, I think we should license everybody to market coffee. We should allow the market forces to determine who will succeed and who will fail.

Mr. Temporary Deputy Chairman, Sir, we can create the 500,000 jobs if only Kenya had a

national dress. I am particularly impressed by two ladies in this House; Hon. Prof. Maathai and hon. Prof. Oniang'o, because they are always dressed in locally made *Kitenge* dresses. They are giving employment to our tailors wherever they are. We need to encourage them and emphasise on the need to have a national dress. The men should have one too, which is locally-made here in Kenya, so that our people can stop dressing in *mitumba*. Nobody wants to use *mitumba*, but our people use them because with only Kshs100, a lady can buy a skirt, a blouse and a brazier. So, that is the reason they are using *mitumba*. It is not that they like them. Nobody would hate to wear a new dress. If we had a national dress, all those problems would be sorted out.

Mr. Temporary Deputy Chairman, Sir, the other issue that I want to raise is about mobile phones. Whereas taxing the mobile phones industry will generate some revenue to the Government, we do not need to do what other countries are doing. Communication, even in our neighbouring countries like Rwanda, has become wireless. Prof. Oniang'o does not have to lament that her mother has no access to telephone services. We require wireless telephone services, which will serve very many people in one location, instead of one person having a telephone cable connected to his house. We also need to copy our neighbours. If you go to other countries, you will find that they have coin-operated electricity. If you have Kshs10, you use electricity worth Kshs10 and when your Kshs10 is finished, the meter stops. The same case should apply to water services. We need to do that if we are going to develop this country and create the 500,000 jobs.

There is also another Kenyan disease known as "flashing" on mobile phones. The flashing business should stop. I do not know why people think that they can flash hon. Members of Parliament on their mobile phones, and when they call back, they are asked to attend Harambees. Surely, if somebody wants an hon. Member to attend Harambee, can he not, at least, feed a credit of Kshs250 in his mobile phone? If we want to generate enough revenue, we should abolish that habit.

With those few remarks, I beg to support.

Eng. Nyamunga: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to contribute to the debate on this important Motion.

The first issue I want to deal with is *mitumbas*. I have seen that taxation on *mitumbas* has been reduced. But to me, that is a mistake. We know that the collapse of the textile industry in this country was contributed largely by the influx of *mitumbas*. We also know that many countries industrialised using the textile industry as a base; for example, Japan, Korea and Mauritius. We should do what it

[Eng. Nyamunga]

takes to revive our textile industry. That will support the cotton farmers and textile factories that were set up in this country for yarn or cloth making. We are removing taxation on *mitumba*, making *mitumba* cheaper and, therefore, encouraging the collapse of our textile industry. How about cheating?

The Assistant Minister for Justice and Constitutional Affairs (Mr. Githae): On a point of order, Mr. Temporary Deputy Chairman, Sir. Could the hon. Member declare his interest? He is speaking against *mitumba*. Could he declare whether he is wearing a *mtumba* suit or a new suit?

Eng. Nyamunga: Mr. Temporary Deputy Chairman, Sir, the hon. Member can check and see whether I am wearing a *mtumba* suit or not. I am wearing a new suit.

We should tax *mitumba* heavily instead of removing taxation on them, so that we can encourage growth in the textile industry in this country. We can have farmers growing cotton and we can revive our textile industry.

I do not agree with the increase of taxation on mobile phones. I believe the Minister for Finance could still have realised whatever figure he wanted to realise, by encouraging more Kenyans to use mobile phones. We want people to have access to mobile phones. We want even our drivers to have mobile phones, so that we can talk to them. We want to talk to our relatives on mobile phones wherever they are, even at home. He should make the service cheaper.

Mr. Temporary Deputy Chairman, Sir, I would like to discuss the issue of the school bursary fund. Once taxes are collected, one area they are channelled to is to fund school bursaries. I would

have liked the Minister to allocate bursary funds to the needy students in each constituency. For example, there are certain constituencies in North Eastern Province where students are few. We know that parents in those areas are poor. We should allocate bursary funds per constituency so that students from poor families in those areas can afford school fees. This is the only way of equitably distributing national resources. It is in the same way we are talking about the Kshs20 million which the Minister allocated to each constituency as the Constituency Development Fund (CDF). We would also like to see the Kshs800 million allocated distributed to all constituencies so that students from poor families may access education.

Mr. Temporary Deputy Chairman, Sir, on the collection of duty, the Government should come up with ways in which we can easily collect taxes. Yesterday, I read in the newspapers on how the Tanzanian Government is losing a lot of money through evasion of duty on fuel. I still believe that is not only happening in Tanzania alone, but it is also happening here. We are losing a lot of money on transit goods which unscrupulous businessmen divert or off load to the local market. This does two things to our economy. First of all, it gives unfair competition to similar goods for which duty has been paid. Secondly, the country loses a lot of revenue. I believe that arrangements should be put in place so that transit cargo is taxed at the point of entry. We should give accommodation to Tanzanian, Ugandan, Rwanda and Burundi customs officials at the point of entry at Mombasa, so that they can levy tax on their goods. This will ensure that there is no chance of diverting uncustomed goods in to this market. That way we will make sure that all the goods that come in for competition have their taxes paid at the same level.

Mr. Temporary Deputy Chairman, Sir, lastly, I would like to talk about the issue of sugar as a commodity. The Minister, in his Budget, extended a hand to coffee growers. However, he left out other farmers, more so farmers in the sugar-cane sector. As you have heard before, the sugar-cane sector is collapsing. I would have liked an arrangement where the Minister also extended a kind hand to sugar-cane farmers, maize farmers and fish farmers.

Mr. Temporary Deputy Chairman, Sir, with those few remarks, I beg to support.

Mr. Obwocha: Mr. Temporary Deputy Chairman, Sir, I would like to join my colleagues in making a few remarks about the proposals. The first one is that when we were discussing the actual Budget, the Minister said that if we widen the net, then we are increasing taxes on Kenyans, which is not true. I want to tell the Minister for Finance that as an accountant, that is not true. If he, for example, wanted to raise Kshs200 billion and there are 200 Kenyans, that would mean that each of them would pay Kshs1 billion. If you increase the net to 400, that means that they will pay Kshs0.5 billion. If you increase it further, it means that they will pay less tax. I want to tell him that the purpose of increasing the net is distributing the tax burden, so that there is less tax on individuals in this country.

Secondly, let us not talk about Customs Duty. Let us first talk about the reorganisation of the Customs and Excise Department. That is where the matter starts. Even if you try and collect more duty without reorganising that department, you will not get the money you require. Sometime back, there was a project of computerization of the Customs and Excise Department. Six computers were brought and up to this moment, those computers have never been installed. We went to the Long Room in Mombasa and we regretted why we were in Kenya. A small transaction that would take a day or even half a day took one week. What are Kenyans doing in this era of computerisation? The Minister should wake up. Mr. Temporary Deputy Chairman, Sir, could you ask the Minister to stop consulting here, go back and listen to what Mr. Obwocha is saying?

The Temporary Deputy Chairman (Mr. Poghio): I am listening.

Mr. Obwocha: The Minister for Finance should wake up! Let us start by reorganising the Customs and Excise Department, so that we can get money for this country. That is where the money is. The money is in Kenya Ports Authority (KPA) and the Customs and Excise Department. Some officers have worked there for between 10-15 years. A person who has worked for this long

improves the art of getting bribes, which has been strengthened by the period he or she has been there. I want to say that until we get the Minister for Finance to address the issue of computerization, we will not get the money we require from the Customs and Excise Department.

Mr. Temporary Deputy Chairman, Sir, I want to comment on the income tax. We expected that the Minister would have increased the relief of taxation not on the middle or lower echelons in the Civil Service and private sector and some of us who pay income tax, but also to the lower cadre. There is a lot of poverty in this country. You need to increase their income. This relief should have been added to the lower cadre or those who earn very little money. I want also to indicate to the Finance Minister that the issue of making returns should be revised. This year, there are long queues at the Times Tower. Every working person must go and collect a form. These forms should be sent to the employers. It is a simple matter. How can you get the whole of Nairobi to queue at the Times Tower? The forms should be sent to the employers and each employee then given to fill.

I want to tell the country that MPs are now paying Income Tax. Yesterday I was listening to Kiss FM and a person who called himself "very informed", was telling a tax collector in that studio that: "You know MPs do not pay any tax". Let me tell him that we are now paying tax." We are paying more than Kshs55,000. Let him look at our pay slips. He will discover that we are now paying tax.

I want to comment about VAT. The reduction from 18 per cent to 16 per cent is commendable, but what is the Minister doing about the issue of refunds? This is an issue that has been there since 1988 up to now. He has not streamlined the issue of tax returns on VAT. In terms of VAT, which is paid in advance, we are told if you have declared your property, you can be refunded. If the Government takes your money, it will take a long time to get this money back. We are asking the Minister for Finance to make sure he streamlines the issue of VAT returns.

On the issue of keeping two books by businessmen, why does the Minister not establish a small department in the Kenya Revenue Authority (KRA) to check into the keeping of books? Every year we say that traders are keeping two books; one which they use to declare VAT, and another which they use to collect their money. If they make impromptu checks, they can successfully collect this VAT, but there is no section in the KRA which is doing this. I believe this is where we are losing a lot of money. We are moving from direct taxation to indirect taxation, where people do not feel that they are being taxed. That is where the Minister for Finance should get his money from.

In agriculture we have expected that tax or duty on fertilizers should have been reduced so that we can promote our agricultural industry. We are still waiting. I do not know whether the Minister will move an amendment on duty on fertilizers.

Mr. Temporary Deputy Chairman, Sir, finally, I want to say something about the World Trade Organisation (WTO) and the tariffs that this country has accepted. We are in a very critical position or time period. The world is moving to Cancun in Mexico, but we are moving to that meeting having committed ourselves to certain tariffs under WTO. The then Minister for Trade, Mr. Kirugi M'Mukindia, went with his Permanent Secretary and the Director of Trade and signed the Marakesh Agreement. By signing this agreement, he committed this country to tariffs we cannot afford. We should have set tariffs that will protect our local industries. I expect that gentleman who sits there, called Dr. Kituyi, to go to WTO with papers and Members of Parliament and say we cannot afford to pay these tariffs. We want to re-negotiate them even if it goes to arbitration so that we can try and protect our local industry. I do not know where he is, but he is travelling a lot these days. He should stop his travelling. The NARC Government should tell him this. I know it is part of his work. The Minister should be here---

Mr. Angwenyi: On a point of order, Mr. Temporary Deputy Chairman, Sir. Is the hon. Member in order to question the official activities of a Minister?

Mr. Obwocha: Mr. Temporary Deputy Chairman, Sir, I am commending the man. He is doing a good job, but he should also be here to listen to what we want. How many Members of

Parliament has he involved in this negotiation on the road to Cancun in Mexico? Has he involved the Finance Committee of this House? I am a Member of this Committee. That is all I am asking him. He is a friend of mine. In fact, he should come and read the HANSARD that I am telling him that if there are no 15 or 20 Members of Parliament to Cancun, then that negotiation by the Kenyan delegation will flop. We do not want a delegation of 10 people who do not understand what the needs of the people of this country are. We need people who will talk on behalf of this country.

With those few remarks, I beg to support.

Mr. Syongoh: Mr. Temporary Deputy Chairman, Sir, in the face of the current situation in the tourism sector, first of all, it is necessary for the Minister to re-look at his Budget. If necessary, he should move a supplementary amendment in order to give more support to the tourism sector. We cannot expect to turn around the tourism industry by simply passing or discussing anti-terrorism Bills. We have to take positive steps to support the key players in that sector. We should also support the key players in the promotional aspects of tourism. If you look at the current Printed Estimates, the Kenya Tourism Board (KTB) is given a meagre Kshs30 million. It is my considered opinion that it is far too little. In the current situation, they need much more than the Kshs30 million that they have been granted. I would appeal to the Minister for Finance to re-look at this particular area not only to strengthen KTB, but also do so to the Ministries concerned with the revival of the tourism industry in this country.

Mr. Temporary Deputy Chairman, Sir, talking about the same thing, I would like to say that it is necessary for the Minister for Finance, when preparing his Budget, to harmonise the financial programmes with various key Ministries. We are aware that the Ministry of Tourism would like to diversify the tourist attraction areas from the Coast Province by opening the Western Tourist circuit. Looking at the Estimates there is no substantial amount of money allocated to open up infrastructure, rural electrification and roads networks. These would be necessary to open up the Western Tourist Circuit.

Secondly, Mr. Temporary Deputy Chairman, Sir, on the issue of the port of Mombasa. Discussion about the possibility of increasing our revenue collections and revenue base must take a broad perspective in the interest of revenue collection. Currently, the port of Mombasa is losing its competitiveness to Dar es Salaam and Tanga. I think it is now common knowledge that our customers in Uganda, Rwanda and Burundi have complained very loudly about the inefficiency and defectiveness of our port operations. It is important that the Minister looks at this particular area so as to improve the efficiency at the port. This will improve the capacity to handle more tonnage and, therefore, collect more revenue at the port of Mombasa.

Mr. Temporary Deputy Chairman, Sir, a number of comments have been made about the fisheries sector. I want to commend the Minister for having retained the zero rate on tractors and other farm inputs for the farmers. However, I would have expected him to also zero-rate, in terms of Customs Duty as well as Value Added Tax, the outboard engines used by fishermen predominantly, in order to encourage them and reduce their costs. Those fishermen do not even have provisions for an insurance policy. They invest substantial amounts of money in buying nets, building boats and buying outboard engines to propel the boats. They cannot however get rebates on their investments in the event of robberies which are now very rampant in fishing areas. In the circumstances, it only makes business sense for us to reduce the cost of investing in the fisheries sector, which is now the fifth biggest earner of our foreign exchange. Zero-rating taxes on timber for building boats and fishing nets, as well the outboard engines which propel the boats, is mandatory and an intelligent business step. The Minister should have considered that.

Mr. Temporary Deputy Chairman, Sir, we all know that Dubai has nothing other than the free port. The biggest economic asset that Dubai has is the free port. This country is geographically placed in a very advantageous position to tap the East and Central African market. It makes no sense for this country to allow business to move from East and Central Africa and let it all flow to Dubai, and yet we

have direct access to the ocean, manpower and the capacity to have a free port inside Kenya to serve the East and Central African market. I am disappointed that for all those years, no Minister for Finance has considered it necessary, for example, to make Kisumu a free port so as to tap that market which we are letting go while we are watching.

Finally, Mr. Temporary Deputy Chairman, Sir, I would like to talk about the COMESA. My fellow colleagues in this House will agree with me that when you look at the COMESA Agreement, it was a sell-out of the interests of this country. How on earth would we have allowed Egypt to join COMESA? How can Egypt possibly qualify to be a member of COMESA? It is high time that we did a proper and serious cost-benefit analysis of our participation in the COMESA Agreement.

I would like to state very clearly that there is no incremental value in Kenya being part of the COMESA. Whatever business we are doing with the COMESA countries is the same business we were doing with the East African Community countries, where we are the dominant traders. By allowing ourselves, without negotiating intelligently and competitively, to join that organization for more political reasons than business reasons, we have let go our competitiveness, and our business value has reduced significantly. Not only are some of these strange members of COMESA like Egypt undermining our competitiveness in this area, but they are also undermining the viability of our own industries. Our own industries cannot compete with goods coming from Egypt, which are zero-rated, and yet we are charging 25 per cent Customs Duty on raw materials up to the current Budget.

The zero-rating of the raw materials is a commendable step, but we should go further and relook at the COMESA Agreement and, if necessary, let us pull out of the COMESA and concentrate on the East African Community (EAC) while including Burundi and Rwanda.

With those few remarks, I beg to support.

The Assistant Minister for Finance (Mr. Katuku): On a point of order, Mr. Temporary Deputy Chairman, Sir. I beg to move that the Committee of Ways and Means doth report progress to the House and seek leave to sit again.

Mr. Angwenyi: On a point of order, Mr. Temporary Deputy Chairman, Sir. Was the Assistant Minister required to move the closure now before we exhaustively discuss these taxation measures which are going to affect our people?

The Temporary Deputy Chairman (Mr. Poghisi): Order! Order! Mr. Angwenyi, this is a normal procedure. There is nothing out of order. This is just coming at the end of the 1st Allotted Day. We will continue with the

debate. If you heard him well, he was seeking leave to sit again.

(Question proposed)

(Question put and agreed to)

(The House resumed)

[Mr. Deputy Speaker in the Chair]

PROGRESS REPORTED

APPROVAL OF TAXATION MEASURES

Mr. Poghiso: Mr. Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposals relating to Customs Tariff, Excise Duty, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes, contained in the Financial Statement for the year of Account 2003/2004, and has instructed me to report progress and seek leave to sit again.

The Assistant Minister for Finance (Mr. Katuku): Mr. Deputy Speaker, Sir, I beg to move that the House doth agree with the Committee in the said Report.

The Minister for Energy (Mr. Ochilo-Ayacko) seconded.

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

Mr. Deputy Speaker: Hon. Members, it is now time for the interruption of business. The House is, therefore, adjourned until this afternoon at 2.30 p.m.

The House rose at 12.30 p.m.