

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 30th June, 2004

The House met at 9.00 a.m.

*[The Temporary Deputy Speaker
(Mr. Ethuro) in the Chair]*

PRAYERS

QUESTIONS BY PRIVATE NOTICE

ISSUANCE OF ID CARDS TO SAKUYE CLAN MEMBERS

Dr. Galgalo: Mr. Temporary Deputy Speaker, Sir, I beg to ask the Minister of State, Office of the President the following Question by Private Notice.

(a) Is the Minister aware that over one 100 members of the Sakuye Clan who returned from exile in Somalia are in Dabel, Moyale District, but have been denied issuance of national identity cards?

(b) What action will the Minister take to ensure that these people are immediately registered and issued with IDs?

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

(a) Yes, I am aware that over 100 members of the Sakuye clan who returned from exile in Somalia are currently in Dabel, Moyale District and the vetting process has been going on so that those identified as *bona fide* Kenyans can be registered and issued with national identity cards.

(b) The vetting process is going on as stated above and all genuine cases will be processed.

Dr. Galgalo: Mr. Temporary Deputy Speaker Sir, these people have been in Dabel for over two years now and the Assistant Minister is talking about vetting them. How long does it take to vet people whose origin, after all, is known? The Sakuyes do not exist in any other country apart from Kenya. They went to Somalia during the *shifita* wars of 1967, and because Somalia is now not a nation, they have come back. How long does the vetting process take for them to get their identity cards? Why does it take more than two years?

Mr. Tarus: Mr. Temporary Deputy Speaker, Sir, I suppose the lengthy process in vetting may be logistical, but I think the hon. Member should be patient because, after all, we shall issue them with national identity cards once we have confirmed they are Kenyans.

Mr. Billow: Mr. Temporary Deputy Speaker, Sir, the Assistant Minister has not answered this Question, and this is a matter that is affecting many similar communities in northern Kenya on the border. What is the Government's policy with regard to those Kenyans who live on the border? Why are they not treated as Kenyans? It becomes extremely difficult for them to get identity cards. At times, it takes them 20 years. Could the Assistant Minister explain what specific policies exist that distinguish those living on the borders from the rest of Kenyans and denying them their basic rights?

Mr. Tarus: Mr. Temporary Deputy Speaker, Sir, all Kenyan communities living along the

Kenyan border are treated as Kenyans. The only complications are the dynamics that are always common along the border, and fellow hon. Members know this; that, we have to have a system under which we issue identity cards.

Dr. Galgalo: Mr. Temporary Deputy Speaker, Sir, Kenyans along the Uganda border have no problem. Kenyans along the Tanzania border have no problem. There is discrimination of people along the Ethiopia and Somalia borders and this must come to an end.

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

Dr. Galgalo: Sit down, *Mheshimiwa!* This is a serious Question.

The Temporary Deputy Speaker (Mr. Ethuro): Order, Dr. Galgalo!

Mr. Ogur: Mr. Temporary Deputy Speaker, Sir, the Member of Parliament says that Kenyans along the Tanzania border have no problem. I have one problem. Tanzanian ladies who are married in Kenya do not get identity cards even after giving birth to five children. Is it in order for the hon. Member---

(Laughter)

The Temporary Deputy Speaker (Mr. Ethuro): Order! Mr. Ogur, that is not a point of order.

Proceed, Dr. Galgalo!

Dr. Galgalo: Mr. Temporary Deputy Speaker, Sir, I think hon. Ogur just wanted to lighten our moments here. What I am asking is: I know vetting for issuance of identity cards takes only one day. Why is it that in this case it has taken over two years? In one day, street children who have attained 18 years are vetted and the process goes on. Why is this one taking more than two years, if it is not discrimination?

Mr. Tarus: Mr. Temporary Deputy Speaker, Sir, we understand the problems along the Somali border and I think we need to appreciate the steps taken by the Government. For that matter, we have all the records, even with the additional records that we expect to arise with regard to those who are seeking identification. We shall process them.

The Temporary Deputy Speaker (Mr. Ethuro): Next Question by Private Notice by hon. Kipchumba!

REVIEW OF TAXATION ON FUEL

(Mr. Kipchumba) to ask the Minister for Energy:-

(a) Is the Minister aware that Kenyans are unable to use their vehicles since they cannot afford to purchase fuel whose price has appreciated by about 30 per cent within the last one year?

(b) Could the Government consider reviewing taxes which make up for about 38 per cent of the retail price to enable motorists afford this commodity?

The Temporary Deputy Speaker (Mr. Ethuro): Is Mr Kipchumba not here? We will leave his Question until the end then.

Next Question by Private Notice by Ms. Ndung'u!

GOVERNMENT POSITION ON UNWANTED PREGNANCIES

(Ms. Ndung'u) to ask the Minister for Health:-

(a) What is the Government position on unwanted pregnancies that are a result of

rape, incest and those affecting mentally-handicapped women?

(b) How many terminations of such pregnancies have been recorded at Kenyatta National Hospital and other provincial and district hospitals in the last three months?

(c) How many fatalities and permanent disabilities have been recorded as a result of such cases?

The Temporary Deputy Speaker (Mr. Ethuro): Is Ms. Ndung'u not here? We will leave her Question until the end then.

Next Question by Private Notice by hon. Kajwang!

PUBLICATION OF IRREGULAR LEGAL NOTICE

(Mr. Kajwang) to ask the Minister for Agriculture:-

(a) Upon what law did the Kenya Sugar Board publish Legal Notice No.39 purporting to give the Kenya Sugar Board authority to allocate quotas to sugar importers?

(b) Is the Minister aware that regulations 6(2) and (3) and 7 in the said Legal Notice are illegal and an infringement of Articles 49, 55 and 61 of the Comesa Treaty?

(c) Could the Minister confirm or deny that the said rules provide a fertile ground for corruption?

The Temporary Deputy Speaker (Mr. Ethuro): Is Mr. Kajwang' not here? We will leave his Question until the end then.

Next Question by Private Notice by Archbishop Ondiek!

MEASURES TO CURB MONKEY MENACE IN UGENYA CONSTITUENCY

(Archbishop Ondiek) to ask the Minister for Environment, Natural Resources and Wildlife:-

(a) Is the Minister aware that monkeys have destroyed many crops in Ugenya Constituency?

(b) What is the Minister doing to deal with the situation and compensate the farmers?

The Temporary Deputy Speaker (Mr. Ethuro): Is Archbishop Ondiek not here? We will leave his Question until the end then.

REVIEW OF TAXATION ON FUEL

(Mr. Kipchumba) to ask the Minister for Energy:-

(a) Is the Minister aware that Kenyans are unable to use their vehicles since they cannot afford to purchase fuel whose price has appreciated by about 30 per cent within the last one year?

(b) Could the Government consider reviewing taxes which make up for about 38 per cent of the retail price to enable motorists afford this commodity?

The Temporary Deputy Speaker (Mr. Ethuro): Is Mr Kipchumba not here? The Question is dropped.

(Question dropped)

GOVERNMENT POSITION ON UNWANTED PREGNANCIES

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- (a) What is the Government position on unwanted pregnancies that are a result of rape, incest and those affecting mentally-handicapped women?
- (b) How many terminations of such pregnancies have been recorded at Kenyatta National Hospital and other provincial and district hospitals in the last three months?
- (c) How many fatalities and permanent disabilities have been recorded as a result of such cases?

The Temporary Deputy Speaker (Mr. Ethuro): Is Ms. Ndung'u still not here? The Question is dropped.

(Question dropped)

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- (a) Upon what law did the Kenya Sugar Board publish Legal Notice no.39 purporting to give the Kenya Sugar Board authority to allocate quotas to sugar importers?
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- (c) Could the Minister confirm or deny that the said rules provide a fertile ground for corruption?

The Temporary Deputy Speaker (Mr. Ethuro): Is Mr. Kajwang' still not here? The Question is dropped!

(Question dropped)

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Environment, Natural Resources and Wildlife:-

- (a) Is the Minister aware that monkeys have destroyed many crops in Ugenya Constituency?
- (b) What is the Minister doing to deal with the situation and compensate the farmers?

The Temporary Deputy Speaker (Mr. Ethuro): Is Archbishop Ondiek not here yet? The Question is also dropped.

(Question dropped)

ORAL ANSWERS TO QUESTIONS

Question No.155

VEHICLES FOR SOSIOT/SONDU POLICE STATIONS

Mr. Keter asked the Minister of State, Office of the President:-

(a) whether he is aware that Sosiot and Sondu Police Stations within Belgut Constituency do not have even a single vehicle; and,

(b) what steps he is taking to ensure that the police stations are provided with vehicles immediately to curb the increasing insecurity in the constituency.

The Assistant Minister, Office of the President (Mr. Tarus): Mr. Temporary Deputy Speaker, Sir, I do apologise because the answer to this Question is not ready. I seek the indulgence of the House to allow me more time so that I answer this Question later.

(Mr. Billow consulted loudly)

The Temporary Deputy Speaker (Mr. Ethuro): Order, Mr. Billow! What do you have to say about that, Mr. Keter?

Mr. Keter: Mr. Temporary Deputy Speaker, Sir, he has requested that he be allowed to answer the Question at a later time. I think the Question can be deferred until today in the afternoon.

The Temporary Deputy Speaker (Mr. Ethuro): Mr. Keter, the Question is deferred until tomorrow in the afternoon.

Mr. Keter: Mr. Temporary Deputy Speaker, Sir, I will not be there tomorrow in the afternoon.

The Temporary Deputy Speaker (Mr. Ethuro): We then defer it until Tuesday, next week.

Mr. Keter: Mr. Temporary Deputy Speaker, Sir, Tuesday, next week is far off. He should then answer the Question now.

The Temporary Deputy Speaker (Mr. Ethuro): The Question is deferred until Tuesday, next week.

(Question deferred)

Question No.145

TARMACKING OF MAKINDU-WOTE ROAD

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

(a) how much money he has set aside to tarmac the Makindu-Wote Road; and,

(b) when the work is going to start.

Hon. Members: Ongea Kizungu!

Mr. Ndile: Kizungu ndicho kimetumiwa kuiba katika kashfa ya Goldenberg. Nyamazeni nyinyi.

(Laughter)

The Temporary Deputy Speaker (Mr. Ethuro): Order, Members!

The Assistant Minister for Roads, Public Works and Housing (Eng. Toro): Mr. Speaker, Sir, I beg to reply.

(a) Kshs330 million has been included in the Budget for the year 2004/2005 for upgrading the Makindu-Wote Road, Road E707E078, to bitumen standards.

(b) The work on this road is expected to start in January, 2005.

Mr. Ndile: Bw. Naibu Spika wa Muda, ninamshukuru Waziri Mdogo kwa jibu lake. Ni vizuri

awahakikishie watu kwamba barabara zitatengenezwa. Ninatarajia atazitengeneza. Kama wangukuwa wakitengeneza barabara jinsi ambavyo wanafuatilia MOU, mambo yangukuwa mazuri. Hata hivyo ninashukuru.

(Laughter)

Question No.125

NUMBER OF TEACHERS IN
TEACHERS' PROMOTION COURSE

Prof. Olweny asked the Minister for Education, Science and Technology:-

(a) if he could give the number of teachers, per province, who underwent teachers' promotion course from 1997 to 1998 and the number promoted in each province following the completion of the course; and,

(b) how much money in form of examination fees and other related fees did the Government collect from the teachers who underwent this course.

The Temporary Deputy Speaker (Mr. Ethuro): The Minister is not present. We will leave the Question until the end.

(Prof. Olweny stood up in his place)

Order, Members! Prof. Olweny seems not to be aware of the procedure. The Minister is not present, so we will give you another chance. So, keep your peace.

Question No.234

PROCUREMENT OF ESSENTIAL
SUPPLIES FOR KPLC

Mr. Angwenyi asked the Minister for Energy:-

(a) whether he is aware that Kenya Power and Lighting Company (KPLC) stores have no essential supplies such as transformers, poles and cables;

(b) if he could inform the House what led to this situation; and,

(c) what urgent measures he is taking to procure these essential supplies to ensure reliable provision of poles and other electrical gadgets to consumers in the country.

The Assistant Minister for Energy (Mr. Kiunjuri): Mr. Temporary Deputy Speaker, Sir, I beg to reply.

(a) It is true that in the past few months, KPLC was faced with shortage of essential supplies such as transformers, poles and cables, but the situation has improved considerably. I would like to assure the House, and the public in general, that adequate measures are already in place to ensure that the operations of the company are cushioned against disruptions due to lack of these critical items. There is, therefore, no cause for alarm.

(b) Past weak corporate governance, leading to virtual erosion of the company's assets, had largely contributed to the depletion of essential materials. This was, however, addressed by the Government last year, in September, through balanced restructuring and reduction of KenGen's sales tariffs to KPLC.

(c) KPLC has been directed to put in place all necessary measures with a view to ensuring that

there is no shortage of materials. The company is already addressing this problem and essential stocks are now nearing their optimum levels.

Mr. Angwenyi: Mr. Temporary Deputy Speaker, Sir, this company is "empty" and that is why it has not been able to construct power lines between Kegogi and Isecha, and between Rioma and Iwaro in my constituency. Could the Assistant Minister tell us when they will actually have the essential supplies to construct the two power lines in my constituency?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, you will agree with me that this Question is not on Private Notice. It must have been submitted two or three months ago. I have admitted that by the time this Question was asked, the stores were empty and not KPLC. However, since then, the stores have been adequately filled. I can assure the hon. Member that if the construction is not already going on in the mentioned areas, then, very soon, the works will begin.

Mr. Osundwa: Mr. Temporary Deputy Speaker, Sir, the French- assisted Rural Electrification Programme in Butere-Mumias District has not started because there are no poles in the country. Now, the Assistant Minister is telling us that adequate measures have been taken. Could he, please, tell us what he means by "adequate measures"?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, we started receiving our supplies in April, 2004. By May, 2004, we already had supplies in our stores. You will agree with me that we now have a duty to make sure that we distribute the supplies everywhere. I ask hon. Members to be patient because, very soon, we will reach their constituencies. Already, we have sent advanced equipment to some areas to take care of the ongoing construction work.

The Temporary Deputy Speaker (Mr. Ethuro): Last question, Dr. Manduku!

Dr. Manduku: Mr. Temporary Deputy Speaker, Sir, most of us have directed part of the CDF money to the construction of power lines. Electricity supply in this country is a monopoly of KPLC. Now that the supplies by KPLC are always inadequate, are they prepared to support us in ensuring that the power lines are completed before the money is recalled back?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, even some CDF money has been paid to KPLC for a particular project. That is done on a commercial basis. So, I will assure hon. Members that we shall give those projects priority. However, if really, money has been set aside and you are supposed to be subsidised by KPLC, then, I cannot promise hon. Members that it will be done. Those who will be lucky enough, it will be done. So, I caution hon. Members that unless they have made full payment--- That is the truth of the matter.

(Loud consultations)

Mr. Temporary Deputy Speaker, Sir, I wonder why hon. Members of this House like being lied to.

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

The Temporary Deputy Speaker (Mr. Ethuro): What is it, Mr. Wanjala?

Mr. Wanjala: Mr. Temporary Deputy Speaker, Sir, you heard clearly, the Assistant Minister tell us that if you set aside money for bringing electricity in your area, it will be on a commercial basis. Is he not misleading the House by saying so, and especially when he knows that there is Rural Electrification Programme under which one is supposed to pay only 10 per cent, because the Government subsidises the cost?

(Applause)

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, the question was very clear. Hon. Members were asking what would happen in cases where they have set aside money from the CDF for

electrification in particular areas. I have honestly answered that if they have made full payment, then, the electrification programme will be effected, but if they have remitted only 10 per cent advance under the Rural Electrification Programme, then, that will also be considered along others who have paid.

Mr. Angwenyi: Thank you, Mr. Temporary Deputy Speaker, Sir. The reason why our stores do not have supplies is because we are sourcing poles from South Africa and Zimbabwe, and in the process, denying our farmers who grow trees which can be used as poles a market in our own country. Could the Assistant Minister assure this House that they would, henceforth, stop importing poles from elsewhere and support our farmers in Kenya?

(Applause)

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, I wish there would be affirmative action; however, hon. Members will remember that for any company or the Government to procure any goods, they must follow procurement procedures. So, even the procurement of poles has to go through the tendering process, and those people who tender the lowest win the tender. However, if hon. Members would like to have affirmative action, whereby we can--- If hon. Members want us to introduce "Kenyanisation of buying of the poles" then, the relevant Bills should be tabled accordingly in this Parliament, and that will be done.

The Temporary Deputy Speaker (Mr. Ethuro): Next Question by Mr. Muchiri!

(Mr. Omamba stood up in his place)

Hon. Members: Omamba!

The Temporary Deputy Speaker (Mr. Ethuro): Order! I have given the chance to Mr. Muchiri and not Mr. Omamba!

Question No.247

PROCUREMENT OF ESSENTIAL
SUPPLIES FOR KPLC

Mr. Muchiri asked the Minister for Energy:-

(a) whether he is aware that a number of self-help groups in Ndaragwa Constituency have paid money to the Kenya Power and Lighting Company (KPLC) for supply of rural electrification; and,

(b) when will the residents be supplied with electricity.

The Assistant Minister for Energy (Mr. Kiunjuri): Mr. Temporary Deputy Speaker, Sir, I beg to reply.

(a) I am not aware that a number of self-help groups in Ndaragwa Constituency have paid a deposit to the KPLC for supply of electricity for rural electrification. However, I am aware that other mentioned schemes have applied to the KPLC for supply of electricity, but the same has not been approved for implementation under the Rural Electrification Programme due to financial constraints.

(b) It is not possible to tell when the residents will be supplied with electricity, since the Ministry is currently giving priority to public facilities, including trading centres, schools and health centres which are being identified by the respective District Development Committees (DDCs) as the priority projects.

Mr. Muchiri: Mr. Temporary Deputy Speaker, Sir, I am not satisfied with the Assistant Minister's answer. He is my neighbour at home, and I think he knows the plight of my constituents.

Is the Assistant Minister aware that Munyaka, Starehe and Kiriita Electricity Projects, which are all within and around Mairo Inya Trading Centre, have paid the deposits? It is not true just to say that he is not aware.

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, the KPLC becomes aware of any project immediately it is forwarded to them and the project survey, design and costing has been done. We might have received the applications, but what we are saying is that no implementation can be done unless the survey and design works have been carried out for these works.

Mr. Omamba: There are some poles in my area which have been earmarked to be used for the electrification of a health centre called Luthuru in Uriri Constituency. These people have not been compensated. So, how well equipped is the Ministry to say that they are ready when such people have not been compensated for their land?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, you will agree with me that is a different Question.

The Temporary Deputy Speaker (Mr. Ethuro): I agree with you, Assistant Minister.
Next Question by Mr. Khamisi!

Question No.186

STATUS OF LAND DONATED
FOR DISTRIBUTION TO SQUATTERS

Mr. Khamisi asked the Minister for Lands and Settlement whether he could inform the House the status of 1,700 acres of land donated two years ago to the Government by Vipingo Estates Limited in Kikambala, Bahari Constituency, for distribution to squatters.

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

I am not aware of the 1,700 acres of land donated to the Government by Vipingo Estates Limited in Kikambala, Bahari Constituency, for distribution to squatters.

Mr. Khamisi: Mr. Temporary Deputy Speaker, Sir, I am very surprised by that answer because that land, which bears registration No. LR79 Mainland North, was actually donated to the Government on 20th September, 2001. Now, in July, 2002, a meeting was held in the Ministry of Lands and Settlement, and it involved the Permanent Secretary. This meeting was again followed by a visit to the area by Ministry officials for the purpose of land adjudication. So, in view of the fact that the Assistant Minister is not aware, could the Chair, please, direct that this Question be deferred so that the Assistant Minister can bring adequate information to this House?

Mr. Ojode: Mr. Temporary Deputy Speaker, Sir, Vipingo Estates Limited applied for a sub-division of their land, which was supposed to be shared by Rea Vipingo Estates Limited and Vipingo Estates Limited itself. It surrendered a portion which was already occupied by squatters. But after survey, the plots which had been surrendered---

(Loud consultations)

The Temporary Deputy Speaker (Mr. Ethuro): Order, hon. Members! I cannot hear the Assistant Minister! Can you consult in low tones?

Mr. Ojode: Mr. Temporary Deputy Speaker, Sir, the land which was surrendered by Rea Vipingo Estates Limited totalled to 506,751 hectares. I am not aware of the 1,700 acres that he is talking about. Maybe, he is referring to the 505,751 hectares which were surrendered in 1998 and not

in 2001.

Mr. Khamisi: Mr. Temporary Deputy Speaker, Sir, the reason why the Assistant Minister is not aware is because 500 acres of the 1,700 acres were actually irregularly allocated to Hussein Dairies. I think the Assistant Minister should investigate. That is why I am asking that this Question be deferred, because it is very important for the people of this area.

The Temporary Deputy Speaker (Mr. Ethuro): Mr. Ojode, since you seem to be talking at cross-purposes---

Mr. Ojode: I cannot talk of something which is not on my records. I do not know about 1,700 acres. I only know of 506,751 hectares, which will be about 1,200 acres. In any case, if he has got more details, let him come and see me in the office so that we can straighten up the records.

The Temporary Deputy Speaker (Mr. Ethuro): Order! The Question is deferred.

(Question deferred)

For the second time, we will go back through Oral Answers to Questions.
Proceed, Prof. Olweny!

Question No.125

NUMBER OF TEACHERS IN TEACHERS'
PROMOTION COURSE

Prof. Olweny asked the Minister for Education, Science and Technology:-

(a) whether he could give the number of teachers per province who underwent teachers' promotion course from 1997 to 1998 and the number promoted in each province following the completion of the course; and,

(b) how much money in form of examination fees and other related fees did the Government collect from the teachers who underwent this course.

The Assistant Minister for Education, Science and Technology (Dr. Mwiria): Mr. Temporary Deputy Speaker, Sir, I would like to apologise for answering this Question in the second round. But I was not originally scheduled to answer this Question. My colleague was to answer it, but he is not available.

(a) The teachers' promotion course was organized in April, 1998, and a total of 4,300 teachers were trained. The number of P1, P2 and P3 teachers per province is as follows:-

Province	No. of Teachers
Coast	187
Central	436
Eastern	680
Nairobi	73
Rift Valley	856
Western	352
Nyanza	566
North Eastern	21

P1, P2 and P3 teachers were not promoted as a result of the embargo imposed in 1998. However, 975 diploma holders were promoted to Approved Teacher grade with effect from 1st July, 1996.

(b) A total of Kshs11,610,000 was collected in the form of examination fees and other related

fees from the teachers who underwent this course.

The Temporary Deputy Speaker (Mr. Ethuro): Order, hon. Members! Order! I am sorry for interrupting. You all know that we have to finish Question Time by exactly 9.30 a.m.

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

The Temporary Deputy Speaker (Mr. Ethuro): Order, Mr. Bifwoli! I will come to that. Prof. Olweny, your Question will be deferred so that we can proceed to the next Order.

(Question deferred)

So, that is the end of Question Time, and as the Speaker ruled yesterday, we shall not have Ministerial Statements today.

Next Order!

(Question deferred)

COMMITTEE OF WAYS AND MEANS

(Order for Committee read)

*[The Temporary Deputy Speaker
(Mr. Ethuro) left the Chair]*

IN THE COMMITTEE

[Mr. Chairman took the Chair]

MOTION

APPROVAL OF TAXATION MEASURES

THAT, 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 2004/2005 be approved.

*(Resumption of consideration interrupted
in Committee on 29.6.2004)*

Mr. Chairman: Order, hon. Members. We are now in the Committee. Mr. Maore was on the Floor when we terminated debate last evening. Is Mr. Maore here? Is there anyone wishing to contribute to the Motion by the Minister for Finance on the proposals relating to taxation? Yes, Mr. M. Kariuki.

Mr. M. Kariuki: Thank you, Mr. Chairman, Sir for the chance you have given me to contribute to tax proposals. I think that--

(Loud consultations)

Mr. Chairman: Order, hon. Members! May we please have order in the House? Mr. M. Kariuki is making a contribution to the Motion before the House!

Mr. M. Kariuki: Mr. Chairman, Sir, I wish to make my contribution to the tax proposals of the Budget Speech. I would like to first observe that the Kenya Revenue Authority (KRA) has done us proud in terms of improving efficiency in tax collection to the extent that it exceeded the target that had been set. I wish to join the Minister in commending the KRA for its work well done.

We seem to base our tax proposals on situations that may not come true. I have seen the Minister's proposal regarding the third mobile phone service provider and the second land line service provider. I recall that last year's Budget expected that a third mobile phone service provider would start business before the end of the financial year. That has never been to date. Therefore, the expected revenue for last year from a third mobile company was not realised. We are now in another situation where we have based our Estimates on the same phenomenon. I think that we are taking a shot in the dark. We cannot be certain that the third mobile service provider will come into being, neither can we be certain that a third land line service provider will become a reality. We have really taken a gamble in this regard. If we are going to base our Estimates on situations that may not come true, that is very risky.

The goodwill of Kenyans was tremendous about revenue collection. I think that, for the first time last year, we saw many Kenyans queuing outside the KRA offices. The expectation of Kenyans is that once they have paid taxes, they will get services in return from the Government. There is an extent to which that goodwill is fading by the day. The expectations that Kenyans had last year are not the same expectations they have this year. Services in many sectors of our economy were not realised. Therefore, as much as we would expect the KRA to perform better than last year, I think we shall be hoping against odds. The goodwill we had last year is not the same goodwill we are enjoying this year. People pay taxes in expectation of getting services. There is no justification whatsoever for them to pay taxes in return. I will call upon the Minister to ensure that we get returns from the taxes that we pay. That way, we are likely to enhance efficiency and ensure that our tax collection targets are met, or even overshot.

I commend the Minister for the tax proposals that he has made. We know that there are many Kenyans who have not been paying their taxes because they were as politically-correct. These are the Kenyans who now want to be given amnesty. I am hoping that they will have a change of heart, and realise that they have to be responsible citizens of this country and contribute to national development. I think waiver of penalties for them, and giving them time to make full disclosure is a step in the right direction. We hope that those who have not been paying their taxes will now come forward, make full disclosure of their income and act in the national kitty in terms of national collection.

Mr. Chairman, Sir, I want to say something regarding the EPZs. Companies in the EPZ sector seem to be enjoying many privileges, including tax waivers for the last ten years. There is no sector in our economy which has had as many labour strikes as the EPZs. It is one sector where the employees have been underpaid for a long time. It is only fair that, in fact, we put them on the same status as the domestic manufacturers. I welcome the Minister's 2.5 per cent proposal. There is also no job security in the EPZ sector. That is why the employees are always on strike. This destabilises production. As much as we may expect to realise set tax collection levels in the sector, I think it is time we considered waiving the privileges its companies have been enjoying for the last ten years.

I would like to say something about the speeding up of processing of cargo at the Mombasa Port. I think that most of us who have had the opportunity to import cars have gone through the rigours of bureaucracy at the port. It is quite a nightmare to import a car as you have to undergo all the procedures that are really uncalled for. This is the kind of bureaucracy that has discouraged people in this country and our neighbours from importing goods through the Port of Mombasa.

Mr. Chairman, Sir, the Port of Dar-es-Salaam has in the recent past received imported goods for Rwanda and Burundi. This is because of the efficiency that is there in that port. It is important that we look at ways of making the Mombasa Port more efficient. I, sometimes, wonder why the processes of importation and registration of vehicles should not be centralised at the Port of Mombasa. That would make it easy for someone who has imported a vehicle to register it there. Very often, one is referred to Nairobi to pay duty. They then have to go back to Mombasa to collect the vehicle. One has to make a minimum of four trips to Mombasa from Nairobi.

The question of auctioning abandoned goods is a matter of great concern. There have been court cases, where port officers have been sued for auctioning people's goods after the so-called notices have been issued. What actually happens is that the owner of the goods never receives the notice. There is a conspiracy at the port, which ensures that the owner of the goods never gets to know that his goods are being auctioned. The goods are usually sold out at a throw-away price. To avoid this kind of mischief at the port, I would propose that notices be placed in the Kenya Gazette and all the local dailies, so that the owners of goods will know that there is an auction regarding their goods lying at the port. It is important that we ensure that there is accountability at the port and transparency in the manner in which the auctions are carried out.

Mr. Chairman, Sir, finally, let me say that I welcome the Minister's proposal on the issue of interest, although it is not part of the taxation measures. For a long time, in other jurisdictions the courts have made it very clear that the rates of interest charged by banks should not be unconscionable. It is a principle that has been expounded within the common law jurisdiction. By getting this law into our statute books, the Minister is actually tackling a challenge that the Judiciary has failed to take up. This will ensure that the interest rates are not unconscionable. I welcome that particular measure. I believe that the banks in this country will begin to behave and treat their customers fairly by ensuring that interest rates do not turn out to be oppressive to borrowers.

Mr. Chairman, Sir, on that note, I beg to support the tax proposals.

Mr. Wamwere: Bw. Mwenyekiti, ninasimama kuunga mkono Hoja hii kuhusu kodi. Ningetaka kusema kwamba wakati kodi inapotozwa kuna haja kubwa ya kuhakikisha kwamba kodi hiyo inatunzwa na haichukuliwi na watu wanaoweza kuitumia kimakosa. Ninafikiria ushuru unaotowza watumizi wa umeme wa asilima tano kwa kila mbili wanayolipa.

Ukiangalia hesabu ya pesa ambazo zilitolewa na sasa zimefika mabilioni na ambazo zilichukuliwa na kampuni ya KPLC kwa niaba ya Serikali, ni wazi kwamba pesa hizi hazikufikia Serikali, kwa sababu tulielezwa jinsi hii kampuni ilivyozitumia pesa ilizochukua kimakosa. Mwishowe kampuni hii ilifilisika pamoja na ushuru huu ambao unatowza kila mtumizi wa umeme. Ningetaka kupendekeza kwamba ushuru huu usichukuliwe tena na hii kampuni kwa niaba ya Serikali ili tuzuie upotevu wa pesa hizi. Ingefaa kama ushuru huu ungekuwa unachukuliwa na Serikali yenyewe ili ihakikishe kwamba hautumiwi vibaya. Tukifanya hivi, tutahakikisha kwamba ufisadi haupo tena katika kampuni ya KPLC.

Ningetaka pia kuzungumza kidogo juu ya pesa ambazo zinachukuliwa kutoka kwa wananchi. Nyingine haziitwi kodi lakini bado zinachukuliwa. Sina hakika kwamba kuchukuliwa kwa pesa hizo kuna idhini ya kisheria. Ukienda mashambani bado utakutana na vijana wengi wanaolalamika kwamba wanapoenda kuchukua vipande, bado wanatakiwa watoe kitu kidogo na machifu. Sijui hiki kitu kidogo kinatolewa kama aina ya kodi au kama ufisadi wa wazi. Kule vijijini kilio ni kikubwa kwamba hii tabia ambayo ilisambaa sana siku zilizopita, bado inaendelea.

Wakati nilikuwa ninasimamia tume iliyokuwa ikichunguza usimamizi wa pesa za *Harambee* tulikutana na visa kule Kajiado ambapo wananchi walilalamika kwamba machifu walikuwa wanawatoza kodi ya maendeleo. Sijui kodi ya maendeleo ni kitu gani. Kwa nini machifu wanaruhusiwa kutoza wananchi kodi ya maendeleo sokoni? Utapata chifu anasimama nje ya soko na kuwaambia

watu wanaopita watoe Kshs100 kama kodi ya maendeleo.

Mr. Chairman: Order, Mr. Wamwere! I just want to remind you that we must focus on the proposals by the Minister on Customs Tariff, Excise Duty, Value Added Tax, Income Tax and Miscellaneous Fees as contained in the Ministers statement. Let us confine ourselves to that, because those are tax proposals we want hon. Members to debate. Please continue.

Mr. Wamwere: Bw. Mwenyekiti, nilikuwa ninagusia kidogo yale ambayo yangestahili kuwemo katika mapendekezo. Niligusia mambo ambayo yanatendeka katika utozaji wa kodi, na kwa kweli hii kodi ni aina ya ufisadi.

Kodi nyingine ambayo ningetaka kugusia ni ile ambayo ilisababisha kuongezeka kwa bei ya mafuta ya taa. Wakati wa kusoma Bajeti Waziri alitumbua kwamba lengo kubwa la Bajeti lilikuwa kuinua hali ya maisha ya maskini, lakini ni wazi kwamba kodi ambayo ilisababisha kuongezeka kwa bei ya mafuta ya taa itawadhuru wananchi wengi sana, hasa wale ambao hawana uwezo wa kununua gesi ya kupikia ambayo ilipunguziwa kodi na bei yake hatimaye ikapunguka.

Hiki ni kilio ambacho kinapatikana kwa watu wengi. Waziri angefaa afikirie kuipunguza hii kodi au kuitoa. Ukweli wa mambo ni kwamba kama ana nia ya kuwasiadia maskini, basi labda kuna haja ya kutazama hii kodi tena, na kama inawezekana anaweza kuipunguza.

Watu huitoa kodi shingo upande. Hii ni kwa sababu hali ya uchumi wa watu, hasa wale wa tabaka ya chini, ni mbaya. Ningependa kupendekeza kwamba baada ya kodi kutolewa kuna umuhimu mkubwa wa kuhakikisha kwamba haitumiwi kuinua maisha ya matajiri na wawekezaji. Ingefaa maisha ya wafanyakazi na maskini nchini.

Kama ilivyosemwa juu ya wafanyakazi katika maeneo ya EPZ wawekezaji katika sehemu hii wameondolewa kodi nyingi ili waweze kukeza rasilmali zao katika uchumi wetu. Ingefaa ieleweke kwamba katika kuleta maendeleo nchini haifai kuwapa watu wa upande mmoja nafuu ili waweze kutuletea maendeleo. Ukweli wa mambo ni kwamba maendeleo hutokana na juhudi za wawekezaji pamoja na wafanyakazi. Inafaa Serikali kuwapa mishahara minono wafanyakazi wa viwango vya chini ili wafaidike kutokana na kodi hizi ambazo zimepunguzwa na Waziri.

Bw. Mwenyekiti, kwa hayo machache, naunga mkono Hoja hii.

Mr. Muchiri: Mr. Chairman, Sir, thank you for giving me this opportunity to contribute to this Motion. I would like to support all these tax proposals as spelt out in this Motion.

It is a good gesture for the Minister to stipulate that the surcharge on Export Processing Zones (EPZ) enterprises of 2.5 per cent would be made if they sell their goods locally. The EPZ enterprises have an undue advantage over other local industries because they enjoy some protection. Therefore, this measure will bridge the gap [between EPZ enterprises and other local industries].

Mr. Chairman, Sir, while I appreciate the reduction of import duty on sanitary towels, the local manufacturers of sanitary towels appear to be complaining because they have been disadvantaged by those who import these sanitary towels. This should be looked into because we want to protect local industries. This is because they are a source of employment for our people and they do not repatriate their money outside this country. We should have given our local manufacturers some more rebate on Excise Duty. I appreciate that the Minister zero-rated Value Added Tax (VAT) on such items and, perhaps, what may be necessary is to ensure that prices of sanitary towels are reduced in the market.

Mr. Chairman, Sir, while I appreciate the measures the Minister has taken, I keep on wondering why we have not seen a reduction of the shelf prices in the supermarkets. For example, Excise Duty on flavoured juices and carbonated drinks was reduced from 15 per cent to 10 per cent. That is good enough because soft drinks are widely consumed by the common *wananchi*. So, by reducing this tax, the Minister is mindful of the welfare of those people among us who are not well-to-do.

Mr. Chairman, Sir, while I also appreciate that VAT on Liquefied Petroleum Gas (LPG) was reduced, it is worth noting that LPG is really an urban fuel. I wonder what the Minister could have

proposed to encourage our people to plant more trees so that we assist people living in the rural areas to get wood fuel. I know we are importing eucalyptus seedlings from South Africa, perhaps, we need a bit of affirmative measures by the Government to ensure that we encourage the good use of wood fuel and other forms of fuel because LPG may not really assist majority of Kenyans living in the rural areas. It is worth noting that 90 per cent of our people actually use wood fuel. So, while I appreciate that LPG will be cheaper, my concern is that the rural populace does not have access to this particular fuel.

Mr. Chairman, Sir, while I appreciate that the Minister was able to impose a penalty on people who do not forward Withholding Tax, I would have imagined that small professionals in this country are disadvantaged because of various taxes, for example, the VAT. I would have expected small professionals whose revenues are still low to be exempted from paying VAT because this particular tax is giving undue competition in the professional world. For example, we know of cases where we have a professional who is a one-man practice or ten-man practice. Therefore, they cannot be rated at the same level. So, I wish to advocate that small practices, for example, engineers, lawyers or valuers be exempted from paying VAT.

Mr. Chairman, Sir, with regard to Income Tax proposals by the Minister, the tax relief of 10 per cent is a welcome gesture. I expect that this will go a long way in assisting a number of low income earners. This is quite commendable. The issue of making minimum wage taxable under the Income Tax regulations or proposals to Kshs11,137 is also another good tax measure that will assist a number of Kenyans.

Generally, we expect that any tax proposal should not have increased administrative costs. To me, the idea of taxing the informal sector is like looking for water where we cannot really get it. I think the informal sector assists in creation of employment opportunities. It is actually the sector for the poor. Therefore, taxing this sector heavily, may not augur well for majority of Kenyans. The cost of collecting that tax will surpass the benefits the Government may wish to get.

The Minister's tax amnesty to taxpayers to declare their tax liabilities up to the end of this year is also another welcome move because tax avoidance and evasion in this country is rampant. I want to encourage our people to pay taxes because these taxes will be utilised properly.

Mr. Chairman, Sir, as I conclude, I wish to tell the Government that, while our people are willing to pay taxes, they want to see that the money is spent properly; they want to see value for their money. The whole issue of trying to spend money in a prudent way is one thing that will encourage more people to willingly pay taxes. Once they do so, I am sure we will get more revenue that will facilitate development in this country.

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

Mr. Syongo: Mr. Chairman, Sir, thank you very much for giving me this opportunity to make a few comments on specific proposals put forward by the Minister in this House.

The first point I want to discuss is related to enhancing the competitiveness of our economy. The Minister proposed a surcharge of 12.5 per cent for the EPZs. In spite of that, the EPZs still have considerable amounts of incentives in terms of duty and VAT exemption. I would have expected that in order to really make EPZs work for this country, we should have a specific proposal; incentives in terms of taxation and VAT exemption on raw materials which are specifically supplied to the EPZs.

Mr. Chairman, Sir, cotton is a major raw material in this country, as far as Export Processing Zones (EPZs) are concerned. The Minister should have had specific proposals to encourage the production of that important raw material. The issue of harmonization of duties and Value Added Tax (VAT) within the Common Market for Eastern and Southern African countries (COMESA) and the East African Community is also very important. We appreciate that the Minister did not raise any duties on tractors and other inputs in the agricultural sector. But, as we had agreed earlier, we were expecting duty and VAT exemption on fishing gear and motor boat engines to be included in that

proposal. There were several requests in writing, and verbally, on that issue. I would like to believe that it was purely an oversight. I intend to bring an amendment in the Finance Bill, in order to exempt fishing outboard motors, nets and boat-building materials for the fishing industry from paying VAT and customs Duty, given that the sector does not enjoy any advantages which are provided under the STABEX funds.

The other area that I would have expected the Minister to exempt duty and VAT is on coolers used in the dairy and fishing industry. We have considerable opportunities outside our country, and even our immediate neighbours are demanding our milk. I thought that the Minister would have given some incentives for the production of Ultra Heat Treated (UHT) milk, so that we could access the neighbouring markets.

The issue of value added processing is very important. I realise that the Minister has equalised Excise Duty on mineral water and artificial juices at 10 per cent, down from 15 per cent. It will be equal to Excise Duty charged on the processing of natural juices. That was a mistake. We should have given special advantages for processing of natural juices, in order to enhance our capacity, especially in the area of value added processing of our agricultural produce. I would humbly request the Minister to very seriously consider the possibility of separating VAT and Excise Duty on value added processing from those on artificial drinks which do not add value to the agricultural sector. In that particular instance, I wish to express my intention to amend the Finance Bill to give specialised preferential duty to processing of natural juices and other agricultural products, so that they can be encouraged.

Mr. Chairman, Sir, regarding the issue of expenditure containment, the Minister has proposed that he intends to retrench public servants, in order to reduce the number of personnel employed in the Civil Service. But I would like to suggest that, while he does so, the concept of voluntary early retirement has not worked in the public sector. In the past, when that scheme was used, the best staff left. Those who have no alternative and are not good enough opt not to go. As a result, performance in the public sector has actually been affected by voluntary early retirement. But, at the same time, I do not believe that we need to retrench, especially given that in the health, education, and extension service sectors, we have a major shortage of staff. So, why do we have to retrench globally, without considering areas where we need personnel? We have serious unemployment and there is nothing---

Mr. Chairman: Order, Mr. Syongo! Again, I want to remind hon. Members--- You were doing very well until you started diverting to policy. You are talking about retrenchment. Let us talk about taxation proposals.

Mr. Syongo: Mr. Chairman, Sir, I am making this point because the Minister has made specific proposals in terms of revenue containment. That has relevance! That is the other side of the balance sheet.

Mr. Chairman: No! Mr. Syongo, please do not argue with the Chair. I am listening very carefully. We have already gone through seven days of debating the policy.

Mr. Syongo: Mr. Chairman, Sir, regarding the Kenya Revenue Authority (KRA), I appreciate the Minister's measures to strengthen the capacity of KRA in terms of administrative and legal framework. But I would like to mention that those newly found powers of KRA should be exercised with sensitivity, so that they are not too aggressive and thus leading to investments flight from our country. I want also to commend the Minister for reducing VAT on Liquefied Petroleum Gas (LPG). But, frankly speaking, those who use that gas are very few. My proposal is that the Minister should have retained that VAT and used that money to encourage production of fast growing wood materials such as acacia, so that we could go into industrial production of charcoal. Presently, the charcoal business is worth Kshs28 billion. But because there is no commercial production of suitable wood material to produce it, we are losing our indigenous forests. I would have proposed that the VAT exemption on LPG should have been retained by the Minister, so that we encourage the production of material for charcoal.

Mr. Chairman, Sir, regarding the issue of technology transfer, he provided a considerable amount of money for research institutes like Kenya Agricultural Research Institute (KARI) and so on. I propose that the Minister should consider putting a levy on imported agricultural commodities such as sugar, rice and wheat, and use that money to fund KARI and other extension services in our country.

Finally, and for the first time, I want to commend the Minister for coming out firmly and saying that he is going to control money supply at 8 per cent *per annum*. I think that is one of the most wonderful things that the Minister has done. We are under a very serious unemployment situation and we need to sensibly manage the money supply, so that our economy could grow.

With those few remarks, I beg to support.

Mr. Chairman: I do not see any other person wishing to contribute.

An hon. Member: There is one here!

Mr. Chairman: Yes. Is that Mr. Ethuro? But, Mr. Wamwere is also standing! I assume that since Mr. Wamwere has already contributed, it is now time for Mr. Ethuro.

Mr. Ethuro: Mr. Chairman, Sir, I would like to take this opportunity to thank the Minister for his proposals, and his explicit explanations on how he intends to finance this particular Budget. You will realise that about Kshs50.7 billion will come from external sources. That means that the Minister has to work extremely hard, so that there is an enabling environment for those external sources to meet the shortage. The Minister intends to borrow Kshs22 billion from the domestic market. I hope this is not going to push the interest rates very high. The Minister should see this because already, the amount we have borrowed domestically is what is killing us in terms of our public debt. If he could consider ways---

Mr. Chairman: Order! Order, Mr. Ethuro! Again, I want to remind Members that we are debating the tax proposals as contained in the Minister's Speech, from page 35. Now, what you are talking about is the policy that we have already spent seven days debating. Please, confine yourself to tax proposals. I am not compromising on this one. We are there; speak about tax proposals.

Mr. Ethuro: Agree, Mr. Chairman, Sir. But you will also agree that I am actually starting from page 34. When you look at this page, which is taxation measures, the entire business is around there and I need to give some preamble so that before I come to the specific issues, I will have put my case within a proper context. But I take your advice and I will proceed.

Mr. Chairman, Sir, you will remember there is the question of Certificate of Good Conduct. You realise the fee was raised from Kshs500 to Kshs1,000. I want to tell the Minister that this particular amount is very punitive to the ordinary Kenyans who are looking for this certificate in order to get employment. You will appreciate that there are issues that even come before the House where people have been denied employment at a time when the Government policy is to create 500,000 jobs *per annum*. It is these kind of contradictions that we need to point out so that the specific revenue enhancing measures will go a long way in achieving the publicly stated Government objectives and in particular, in terms of employment.

I am asking the Minister to ensure some of these revenue sources can be afforded by the ordinary citizen. When you factor like during last year when there was a big rush, you do not expect that kind of revenue to be coming always, because everybody has gone and got the Certificate of Good Conduct and I do not think it is an annual exercise. So, this kind of revenue may not be the most important one.

Mr. Chairman, Sir, there is the question of Liquefied Petroleum Gas (LPG). While I appreciate the proposal by the Minister to reduce this and make it cheaper, but I want to speak for the ordinary citizen. How many people in this country are accessible to that, if not the middle class? This is why I am saying that while I appreciate this Budget, I criticise it on the basis of the tax measures being proposed basically for the middle class and not the ordinary people.

With those remarks, I beg to support.

Mr. Chairman: Well, in the absence of other speakers, I will now call upon the Minister for Finance, who is the Mover of the Motion, to reply.

The Minister for Finance (Mr. Mwiraria): Thank you, very much, Mr. Chairman, Sir. Let me take this opportunity to also thank my colleagues who have spoken on the tax measures and particularly, for supporting them almost without any exception.

A few points have been made which I will briefly reply to. The first one is that some hon. Members felt that I had not reduced Corporation Tax to stimulate economic growth. I think it is important for me to say that Kenya's level of Corporation Tax is one of the lowest in the African continent and perhaps, in the world. I know some countries where the level of taxation for Income Tax is 50 per cent for corporation profits and 60 per cent on personal Income Tax. But those are mainly socialist countries, particularly in Scandinavia. But even here in Africa, South Africa has a much higher tax level than Kenya. So, while we really want to stimulate economic growth, we have decided to use other incentives such as tax holidays, waiver of duties and VAT on imported capital goods to stimulate economic development. We have also got the other measure which allows people to recover the cost of investment by deducting it from the first few years' Income Tax entitlement.

Mr. Chairman, Sir, there was also a suggestion that because of tobacco being a health hazard, we should tax it to reduce the sale of cigarettes. I do sympathise with this view, but at the moment, we feel we are really taxing tobacco at the highest possible level, because we had reached levels of diminishing returns, where you tax a product so heavily that the sales start going down. So, we did not want to go beyond that.

There were other suggestions, like a request that we tax high density plastics to discourage people from dumping that type of plastic into the country. I believe we need a different solution to the issue of plastics which you see scattered all over the country and which really make the environment very dirty. Many countries have schemes of disposing of plastics. I believe the National Environmental Management Authority (NEMA) are thinking of having a system whereby you collect plastics and you sell them for recycling so that they stop being an eye sore in the country.

Mr. Chairman, Sir, a question has been asked as to why we dropped VAT on LPG instead of lowering Excise Duty on kerosene.

Mr. Chairman, Sir, my wish, quite honestly, is that I lower taxes on kerosene. Unfortunately, we have people here in this country who love mixing it with diesel and when they do that, they make money. Therefore, even though we have kerosene, adequate to meet the demands of local people, these unscrupulous dealers buy much of it and mix it with diesel. What we, therefore, decided to do, and this is a warning to anybody who is dealing in adulterated fuel, is that we have established a system where we will be going round and checking anybody who is selling adulterated petroleum products. If we catch them, we will deal with them according to the law. Once we get satisfied that adulteration has come down, we will definitely consider lowering taxation on kerosene.

We really want to promote growing of trees in this country. However, in this connection, we also have a scheme---

(Prof. Maathai walked into the Chamber)

Oh! I am happy that the Assistant Minister responsible for tree growing is here! The hon. Member for Tetu has been spearheading the agro-forestry scheme for many years. This is forestry which each farmer can undertake on their own land along the fences so that they grow enough trees to supply themselves with wood fuel. This is a programme that we are seeking finance for. We want to increase it so that people who can only afford wood fuel or charcoal will have a ready source in their own *shambas*.

Several hon. Members have talked about the Kenya Revenue Authority (KRA) being overly harsh and putting some *wananchi* out of business. This is an issue that I can undertake to look into because we are working to stimulate economic growth and reduce poverty and not to increase it. Getting businesses closed for tax reasons is not helping and I can promise that I will look into this matter to ensure that nobody is put out of business for tax reasons.

Mr. Chairman, Sir, let me repeat that the East African Customs Union Protocol which we are working towards and, particularly, the common external tariffs protocol is intended to assist the Kenyan economy to grow faster than it has been doing. This is because after a period of five years, we expect to have access to the markets of Uganda and Tanzania completely duty-free. Even today, we can say that most of our goods will be sold free of duty in these countries except for a few items which we have agreed that will be taxed but on a reducing basis. This will ensure that by the end of five years, there will be no taxes.

If you take into account the fact that Uganda is our best developed trading partner, Tanzania close by and other countries close to us like Rwanda import most of their goods from Kenya, we really need to strengthen the common market if we want our economy to grow.

I have already spoken about the incentives we have given to manufacturers; both local and international. I do not need to repeat that any more.

However, regarding the question as to why we were not able to reduce taxes on outboard motor boats for fisheries, we have a real problem. Most of the boats requiring outboard motors in Kenya are used for leisure; most of which you find down at the Coast and are not used for fishing at all. Even those, say, in Lake Naivasha are used for leisure. Our problem, and this is really what we need to address is how we can distinguish between outboard motors coming for leisure and those coming for use in the fishing industry. If we find a solution, we would be quite happy to encourage--

Mr. Syongo: On a point of order, Mr. Chairman, Sir. I have statistics which clearly show that 99 per cent of outboard--

Mr. Chairman: Order, Mr. Syongo! That is not a point of order. It is a point of argument! You had your time! Mr. Minister!

The Minister for Finance (Mr. Mwiraria): Thank you, Mr. Chairman, Sir. May I invite the hon. Member of Parliament--

Mr. Syongo: On a point of information, Mr. Chairman, Sir.

Mr. Chairman: Mr. Minister, do you require the information?

The Minister for Finance (Mr. Mwiraria): Mr. Chairman, Sir, I can have the information outside this Chamber. If the hon. Member has it, I will take it happily and act on it.

Mr. Chairman: Very well; please continue!

The Minister for Finance (Mr. Mwiraria): Mr. Chairman, Sir, I was saying that if the statistics he is talking about are correct, we still need to know how to deal with the 10 per cent which is for leisure.

Let me conclude by making one general remark. During this year's Budget, I made sure that no taxes which would affect the cost of living for the ordinary *mwananchi* were increased. In some cases, as in the case of Liquefied Petroleum Gas (LPG) and soft drinks like sodas, I lowered taxes.

On agriculture, and this is a point I really want to emphasise, the NARC Government believes that the only way to reduce poverty in Kenya or the most important way of reducing poverty is by stimulating agricultural development. We are, therefore, working on a programme of improving agriculture which should, once in place, assist farmers all over the country. I am aware that there are areas which are ideally suited for cotton. In fact, I have a part of my constituency which is very good for that. However, the problem we have at the moment is that farmers stopped growing cotton a long time ago. They do not even have money for tilling land or for buying inputs to grow the cotton. We are looking for that money. Once we get that money, we will provide farmers with seeds, so that they

can grow cotton. The prices of cotton have come up sufficiently to make it worthwhile for any farmer to grow the crop.

Mr. Chairman, this Budget was intended to support the poor and reduce poverty by enhancing economic development. Therefore, I commend the Motion to hon. Members for approval.

With those few words, I beg to move.

(Question put and agreed to)

The Minister for Finance (Mr. Mwiraria): Mr. Chairman, I beg to move that the Committee doth report to the House its consideration of the Resolution and its

[The Minister for Finance]

approval thereof without amendment.

(Question proposed)

(Question put and agreed to)

(The House resumed)

[The Temporary Deputy Speaker

(Mr. Khamasi) in the Chair]

REPORT

APPROVAL OF TAXATION MEASURES

Mr. Musila: Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposals relating to Customs and Excise Tariff, Excise Duties, Value Added Tax, Income Tax, and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of account 2004/2005, and approved the same without amendment.

The Minister for Finance (Mr.

Mwiraria): Mr. Temporary Deputy Speaker, Sir, I beg to move that the House doth agree with the Committee in the said Resolution.

The Vice-President and Minister for Home Affairs (Mr. Awori) seconded.

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Khamasi): Hon. Members, that concludes the Business on the Order Paper. The House is, therefore, adjourned until this afternoon, at 2.30 p.m.

The House rose 10.35 a.m.