

NATIONAL ASSEMBLY

OFFICIAL REPORT

Tuesday, 3rd July, 2001

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

NOTICE OF MOTION

EXTENSION OF DEBATE
ON TAXATION MEASURES

Mr. Anyona: Mr. Speaker, Sir, I beg to give notice of the following Motion:-
THAT, in accordance with the provisions of Standing Order No.138(1), the debate relating to proposals in the Financial Statement for the Year of Accounts 2001/2002 on Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes be extended for two additional allotted days.

ORAL ANSWERS TO QUESTIONS

Question No.392

HARDSHIP ALLOWANCE
FOR GOVERNMENT OFFICERS

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

(a) whether he is aware that Government officers in Kitui South are not paid hardship allowance despite the area being arid; and,
(b) when he will pay the said officers hardship allowance.

Mr. Speaker: Anyone here from the Office of the President? We will come back to the Question later.
Mr. Kombe's Question will be deferred to next week.

Question No.295

CONSTRUCTION OF MALINDI
DISTRICT HEADQUARTERS

(Question deferred)

Mr. Speaker: Next Question, Mr. Kaindi!

Question No.303

SURRENDER OF FOREIGN CURRENCY

Mr. Kaindi asked the Minister for Finance whether he could table a list indicating quantities of all foreign currency surrendered in Kenya from 2nd January, 2000 to 25th March, 2001 and state how the money was utilised.

Mr. Speaker: The Minister for Finance! Where are they? Well, we will come back to the Question later.
Next Question, Mr. Otita!

Question No.199

RETIREMENT DUES FOR MR. OGARY

Mr. Otita asked the Minister for Education:-

- (a) whether he is aware that Mr. James Harris Ogary, TSC No.28098, who retired from teaching in January, 1999, has not been paid his dues to date; and,
 (b) whether he could ensure that Mr. Ogary and other teachers get their dues immediately on retirement.

Mr. Speaker: Anyone here from the Ministry of Education? We will come back to the Question later. Next Question, Mr. Sifuna! I will defer Mr. Sifuna's Question to next week.

Question No. 190

DUES FOR JUMA CONSTRUCTION
COMPANY WORKERS

(Question deferred)

Question No. 185

SUPPLY OF TREATED WATER

Mr. Speaker: Mr. Gatabaki is not here? We will come back to the Question later. Mr. Kiminza's Question for the second time!

Question No. 392

HARDSHIP ALLOWANCE FOR
GOVERNMENT OFFICERS

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

- (a) whether he is aware that Government officers in Kitui South are not paid hardship allowance despite the area being arid; and,
 (b) when he will pay the said officers hardship allowance.

Mr. Speaker: Anyone here from Office of the President? Unfortunately, there is no one. I will defer the Question.

Mr. Kiminza: Mr. Speaker, Sir, this is the second time that this Question is being deferred.

Mr. Speaker: What can I do?

Mr. Kiminza: Mr. Speaker, Sir, I do not wish to direct the Chair but---

Mr. Shidiye: On a point of order, Mr. Speaker, Sir. The Front Bench is not taking this House seriously! They are not here to answer Questions and we do not know where they are! They are supposed to be here.

Mr. Speaker: Mr. Shidiye, but you are the Deputy Chief Whip for the Government! You should be telling us where they are!

Mr. Shidiye: Mr. Speaker, Sir, I know that. You are putting us on the spot, but the Front Bench are supposed to be here to answer Questions! They are not taking the House seriously! I am a Member of Parliament and I am doing my work!

Mr. Speaker: Why do you not raise that issue in your party? What is happening?

Mr. Achola: On a point of order, Mr. Speaker, Sir. Is hon. Shidiye in order to ask this Question when, in fact, he is the Deputy Chief Whip of this side of the House? He should be giving us the answer!

Mr. Speaker: Order, hon. Members! There are certain things that ought not to be asked of the Speaker; for example, where Members of Parliament are. The only thing which the Speaker is expected to do is to expect Members of Parliament to be in the House to transact business. Maybe now that we have Mr. Okemo just arriving---- Mr. Okemo, where are your colleagues?

(Applause)

The Assistant Minister, Office of the Vice-President and Ministry of Home Affairs, Heritage and

Sports (Mr. Osundwa): On a point of order, Mr. Speaker, Sir. It is also worth noting that two of our colleagues from the other side have failed to ask Questions because they are not here!

Mr. N. Nyagah: On a point of order, Mr. Speaker, Sir. This issue is of great concern to this House because we are running into a problem where we tend to have very few Members of Parliament sitting in the House. Two weeks ago, you gave directive to this House, through the Leader of Government Business, that Ministers must be here to answer Questions. We suffer because our Questions are dropped if we are not here to answer, but the Ministers do not get any form of punishment! I do not know what ruling the Chair is going to come up again with, if its earlier ruling to the Leader of Government Business was not complied with. You have also made it very clear to us in advance that the work of Parliament is paramount. It comes first before any other duties assigned to anybody!

Mr. Speaker: Order, hon. Members! Just to respond to what the hon. Member for Mumias said, that because two Back Bench Members from the other side were not here to ask their Questions, that gives blanket permission to the whole Front Bench of the Government side to be absent--- I think there must be a difference here! I think the Government, as a Government, has a higher responsibility to Parliament and to the public than an individual Member of Parliament. I think it is upon the Government to take action against its Ministers who apparently are tired!

Mr. Anyona: On a point of order, Mr. Speaker, Sir. Since failure to answer Questions is in itself a disruption of the proceedings of Parliament, is there no sanction that Parliament can take?

Mr. Speaker: Well, I think we should re-look at the whole issue. The Speaker only deals with matters that he has power over! I have no power over these Ministers! The House has power to do certain things, including giving me power! So, please, give me more power!

(Applause)

Mr. Muchiri: On a point of order, Mr. Speaker, Sir. If you do not have authority to discipline Ministers, could we give you that authority right now to be disciplining them?

Mr. Speaker: Could we try again---

Mr. Kiminza: On a point of order, Mr. Speaker, Sir. You suggested deferring my Question. To which day?

Mr. Speaker: I can say to tomorrow afternoon. Hopefully, they will be here. The absence of Ministers here does disrupt the work of Parliament.

(Question deferred)

Mr. Kaindi's Question for the second time!

Question No.303

SURRENDER OF FOREIGN CURRENCY

Mr. Kaindi asked the Minister for Finance whether he could table a list indicating quantities of all foreign currency surrendered in Kenya from 2nd January, 2000 to 25th March, 2001, and state how the money was utilised.

The Minister for Finance (Mr. Okemo): Mr. Speaker, Sir, first of all, I would like to take the opportunity to apologise for coming late. At least, I have not failed to be here. However, I beg to reply.

The requirements for surrender of foreign currency to the Central Bank of Kenya were removed, in 1995, following the repeal of the Exchange Control Act, Cap.113, Laws of Kenya, with effect from 27th December, 1995. Recipients and subsequently holders of foreign exchange are no longer required to surrender foreign exchange to any authority. However, the Central Bank of Kenya and the Central Bureau of Statistics do collect data on foreign exchange as balance of payments statistics for general economic policy management.

Attached herewith is a table on foreign exchange flows from January, 2000 up to March, 2001. In summary, the estimated receipts amounted to about US\$5,033 million whereas the estimated use over the same period amounted to US\$4,123 million. I have the details here which I wish to table before the House.

(Mr. Okemo laid the document on the Table)

Mr. Kaindi: Mr. Speaker, Sir, first of all, I will seek clarification from the Minister because the answer he has given me talks of millions and not billions. So, I do not know whether his answer is different from mine. But that notwithstanding, over the last few months, we saw a spirited effort by the Government to seize money. What was the intention of that money? Under Estimates of Revenue, Item 120 indicates fines and forfeiture, and the money is listed there. What is the Minister telling this House? Is he saying within the period in question they did not seize any money? If they did, in which transparent manner did they use that money?

Mr. Okemo: Mr. Speaker, Sir, whether these figures are in millions or billions, it is a question of convenience. You can either read it as US\$5,033 million or US\$5 billion and 33 million. Both readings are correct. So, I do not know which one is easier for Mr. Kaindi to comprehend. That is his choice

Mr. Kaindi: On a point of order, Mr. Speaker, Sir. I think I am literate enough in statistics!

Mr. Speaker: What does it read?

Mr. Kaindi: It reads "US\$5.033" million! If it was US\$5,033 million, then we would be talking of billions!

Mr. Okemo: Mr. Speaker, Sir, again, for Mr. Kaindi's benefit, when you have a comma, you have a different interpretation; and if you have a full stop, you have a different interpretation altogether. In this case, we have a comma--- There is a big difference between a comma and a full stop!

Mr. Gatabaki: On a point of order, Mr. Speaker, Sir. Is it in order for the hon. Minister to insinuate that Mr. Kaindi is not learned when we know very well that Mr. Kaindi went to primary school and high school?

Mr. Okemo: Mr. Speaker, Sir, I think I will move on to answer the substantive question. I think we can ignore the commas and full stops. With regard to the question of forfeiture and fines, these are carry-over figures because at the time the law was in place, and the exchange control had to regulate the amount of money going in and coming out, some of the monies had been forfeited to the Central Bank of Kenya. What appears there is a figure that has been there since those years when the law came into effect. As to how that money has been used, if it is showing that it is outstanding, then it means that money is there and unused.

Mr. Michuki: Mr. Speaker, Sir, the Minister said that the US\$5 billion were earned, and that the amount which was put into use was about Kshs4 billion. Is the Minister suggesting to this House that the balance of trade has been in our favour?

Mr. Okemo: Mr. Speaker, Sir, without going through the details, as Mr. Michuki is aware, we obviously have a current account and a capital account, from which, I think, one will define whether we have a negative or positive balance of trade. The figures are on the appended document, which is fairly detailed. It varies from month to month. There are months when we have deficits and there are months when we have surpluses, depending on how well we have done on export earnings, and depending on how much we have spent on imports. So, that is merely giving the aggregate over the period January 2000 up to March, 2001. But if you would like to see the fluctuations from month to month, you could probably take advantage of this table which has got all the detailed figures.

Mr. Achola: Mr. Speaker, Sir, could the Minister explain to the House how the Central Bank of Kenya captures the statistics relating to money that might be carried into this country by tourists?

Mr. Okemo: Mr. Speaker, Sir, foreign exchange will either be held by individuals or will be in some institutions. These include banks or non-bank financial institutions. Some of this will actually be money that the Central Bank itself purchases directly from those who hold it. So, if you add all these, then you come up with the total. The Central Bank of Kenya will not be able to capture what tourists have in their pockets until it actually flows from the pocket, either into the hands of mwananchi, or into the foreign exchange bureau, or into the non-bank financial institution, or into a bank or Central Bank itself.

Mr. Wamae: Mr. Speaker, Sir, recently, a Kenyan brought Kshs2 billion as direct foreign investment into Kenya, and this money was criminalised. As a result, the money was sent back. Could the Minister state clearly here, that direct foreign investment is allowed in Kenya and would be welcome?

Mr. Okemo: Mr. Speaker, Sir, I would like to unreservedly confirm that direct foreign investment is welcome in Kenya, and we would like to have a lot of it.

Mr. Kaindi: Mr. Speaker, Sir, it is amazing that what the Minister gave to this House were receipts from exports and, therefore, they do not relate to the Question. Under what powers was this done, because, the Central Bank Act does give immense powers to the Central Bank Governor, under Section 57, to detain monies? On the same line, I would like to know under what powers the money brought in by a Kenyan was seized. It is clearly stated that the money would be forfeited to the State. That is why I would like to know how much has been brought in, and in which mechanism it has been put in our revenue, and, therefore, disbursed?

Mr. Okemo: Mr. Speaker, Sir, I do not know whether the hon. Member is actually referring to the Kshs2

billion that came in or whether he is asking a general question on how money is recorded when it comes into this country.

Mr. Kaindi: Mr. Speaker, Sir, I think the question of Kshs2 billion is just a reference and, therefore, it could also serve him very well, because it provides the basis. I am not specifically questioning the Kshs2 billion case which is in court. I am asking about similar mechanisms for bringing money into the country. Have there been recorded cases where money has been brought into this country and has not been accounted for? That is why I was referring the Minister to Schedule 220 under the Printed Estimates.

Mr. Okemo: Mr. Speaker, Sir, to my knowledge, I do not know of any money that has come into this country and has not been captured in the official statistics.

Mr. Speaker: Next Question, for the second time!

Question No.199

RETIREMENT DUES FOR MR. OGARY

Mr. Otita asked the Minister for Education:-

(a) whether he is aware that Mr. James Harris Ogary, TSC No.28098, who retired from teaching in January, 1999, has not been paid his dues to date; and,

(b) whether he could ensure that Mr. Ogary and other teachers get their dues immediately on retirement.

Mr. Speaker: Anyone from the Ministry of Education? Can I defer your Question to tomorrow?

Mr. Otita: Yes, Mr. Speaker, Sir.

(Question deferred)

Mr. Speaker: Next Question!

Mr. Gatabaki: Mr. Speaker, Sir, I would like to apologise for coming late. I would have come here very early, but there have been some other interesting developments that have been brought about in Githunguri Town by the Minister who is supposed to answer the Question.

Question No.185

SUPPLY OF TREATED WATER

Mr. Gatabaki asked the Minister for Local Government what measures the Government has taken to ensure that water supplied to consumers in the City of Nairobi and other towns is sufficiently treated to conform with the international standards.

The Assistant Minister for Local Government (Mr. Sirma): Mr. Speaker, Sir, I wish to apologise to the Chair for coming late, and also to the--

Mr. Speaker: By the way, ordinarily the Chair and the House would not question an apology once granted by an hon. Member. But I think the House and the Chair is getting increasingly [**Mr. Speaker**]

concerned about lateness or absence to ask or answer Questions. Do you have a plausible explanation or any good reason except traffic jam?

The Assistant Minister for Local Government (Mr. Sirma): Mr. Speaker, Sir, we had to do some corrections on the answer to make sure that I actually bring a correct answer.

Mr. Speaker: Well, that is not good enough, but Proceed! Next time, do not come late!

The Assistant Minister for Local Government (Mr. Sirma): Mr. Speaker, Sir, I beg to reply.

Water supply to consumers in the City of Nairobi is properly treated through three water treatment plants, namely Ng'ethu, Sasumua and Kabete. The treatment involves aluminium sulphate dosage, coagulation and flocculation, sedimentation, sand filtration, chlorination and PH correction. The results obtained from the quality monitoring indicate that the City Council's tap water is safe and is within both the Kenyan standards and the World Health Organization's guidelines values. It is, therefore, safe. The Government and the City Council of Nairobi will consistently make every effort to maintain drinking water of the highest quality practicable.

Mr. Gatabaki: Mr. Speaker, Sir, I wish to strongly protest the manner in which the Assistant Minister wants to treat this House. You can remember, the Chair indicated and agreed that the Assistant Minister goes back and presents a credible answer. That was the agreement, but the answer I have got is the same one that the Assistant Minister agreed to go and change in view of the inadequacy of the answer. I do not know whether we

should go ahead with this answer or take exceptional steps against the Assistant Minister for lying to the House that he will go and change the answer and bring a credible one?

What can we do, Mr. Speaker, Sir?

Mr. Speaker: I think what we can do, Mr. Gatabaki is, you and I have heard the Assistant Minister say that the water provided to residents of Nairobi by the City Council is of world standard. So, question him on that line since that is what he is saying.

Mr. Gatabaki: Fair enough, Mr. Speaker, Sir. Could the Assistant Minister assure this House that in his own household, they drink water from the taps? Could he assure the House that he goes to the tap, opens the water and drinks it with his children, mother and wife?

Mr. Sirma: Mr. Speaker, Sir, Mr. Gatabaki could accompany me to my house.

Mr. Speaker: To do what?

Mr. Sirma: Mr. Speaker, Sir, he asked whether I could assure him if I really drink that water. The only way to satisfy him is to take him to my house so that he sees me drinking the water.

Mr. Muite: Mr. Speaker, Sir, the issue of contaminated water in Nairobi is quite serious. There have been warnings to all the schools not to drink the tap water before boiling it. Even in Parliament, no hon. Member will take tap water without asking whether it has been boiled. If you went to the kitchen, you would find them boiling the water. Is it really proper for the Assistant Minister to encourage Kenyans to drink the tap water without boiling it, when there have been so many cases of typhoid arising from this water?

Mr. Sirma: Mr. Speaker, Sir, when I went through the treatment process in the Nairobi City Council, I was really satisfied because at the end of every tap, we have about 110 areas whereby we test water in various schools and areas. Contamination could be a result of other reasons, but not the tap water which we have treated, and if there is no leakage within the piping system.

Mr. Sungu: Mr. Speaker, Sir, I would like the Assistant Minister to tell the House whether he has a monitoring unit within the Local Government Ministry rather than rely on answers from the various local authorities.

Mr. Speaker, Sir, in Kisumu, we had a similar problem where, in fact, it was discovered that the said officers of the council were authorising chalk to be used for treating water instead of the right chemicals. Could he tell us where he got that information from?

Mr. Sirma: Mr. Speaker, Sir, I am not aware about the use of chalk in Kisumu Municipal Council. What we are doing in Nairobi is going through the right processes of water treatment. For any water to be in conformity with the World Health Organization standards, there must be another unit, not only the City Council, to test that water; any other organization could do it.

Mr. Kibaki: Mr. Speaker, Sir, the Assistant Minister is not serious, and yet this is a very serious matter. Those who are operating tourism know that hotels have been required to write notices in hotels, that visitors should not drink tap water. The Assistant Minister is talking like he is joking, and yet this is a very serious matter for the whole nation because it affects the promotion of tourism and trade. Is he really telling us the truth, or just writing fiction which he has been given by the City Council? Is he telling us the truth or he is manufacturing fiction?

(Mr. Sirma stood up in his place)

Mr. Speaker: Order! Order, Mr. Sirma! One hon. Member at a time! Now you may respond!

Mr. Sirma: Mr. Speaker, Sir, it is very sad that even Mr. Kibaki cannot trust his councillors because the Nairobi City Council is run by councillors from his party. But since we are talking about the quality of water to Kenyans---

Mr. Kamolleh: On a point of order, Mr. Speaker, Sir. I find it very despicable, because we are talking about the lives of people in the City of Nairobi and the Assistant Minister is simply joking. Could the Assistant Minister assure the people that it is not just a matter of standards, but a matter of looking at the lives of the people in Nairobi? Is he in order to mislead the House?

Mr. Speaker: Order! Order! Mr. Sirma, what party is typhoid?

Mr. Sirma: Mr. Speaker, Sir, diseases do not belong to parties.

Mr. Speaker: Precisely! So, be a bit serious about the matter.

Mr. Sirma: Mr. Speaker, Sir, I would like to inform hon. Kibaki that---

Mr. Speaker: You are informing the House!

Mr. Sirma: I would like to inform the House that the notices posted in various hotels are just meant to caution tourists in case of any other problem with tap water. I can assure you that some people trade in water in this country. Such people can even bribe hotel managers to acquire tenders for the supply of water.

Mr. Nyachae: Mr. Speaker, Sir, this matter is very serious. It is not only this House that is being misled, but rather the whole country. Everybody's life will be endangered if we accept the statement made by the Assistant Minister. Therefore, I would like him to differentiate between the different modes of water treatment. You can even use salt only to treat water but that does not ensure that such water is safe for human consumption. Therefore, the Assistant Minister should go back, consult with the Public Health Department and come here with confirmation as to whether the water is safe or not.

Mr. Speaker, Sir, if he consults with the Public Health Department, he should provide this House with a definite answer, which will assure every Kenyan on the safety of the water, or advise them that it is not safe for consumption.

Mr. Speaker: Mr. Assistant Minister, would you like to contact Prof. Ogeri?

Mr. Sirma: Mr. Speaker, Sir, maybe, the hon. Member can seek verification from the Minister for Public Health on whether the water is clean. However, according to the standards of the Nairobi City Council (NCC), the water is safe.

Mr. N. Nyagah: Mr. Speaker, Sir, this House's Committee on Health, Housing, Labour and Social Services has toured this country extensively. One of the problems we established is the inability by local authorities to treat water. That problem has been captured in our report. Could the Assistant Minister tell us how much the NCC spends on treatment of the water that is supplied to Nairobi?

Mr. Sirma: Mr. Speaker, Sir, the NCC spends quite a substantial amount of money for that purpose. However, I cannot give the exact figure. I will be misleading the House if I try to do so.

Mr. Speaker: Very well. Could you ask the last question, Mr. Gatabaki?

Mr. Gatabaki: Mr. Speaker, Sir, the nation has heard it. Even people who frequent food *kiosks* express a lot of mistrust in the quality of drinking water. But the Assistant Minister insists that the water is okay. So, with your own indulgence, the best you can do for the House is to ask the Assistant Minister to come back with a more comprehensive answer about water.

Mr. Speaker: Very well, Mr. Gatabaki! I agree with you and Mr. Nyachae that the matter at hand is very serious. It involves the health of the people and we should not take it casually.

Mr. Assistant Minister, I will give you more time to go and look at this issue critically. You may wish to get the services of your brother, the Minister for Public Health. As a matter of your own interest, as an individual, find out whether water supplied to consumers in the City of Nairobi and other towns is really safe. So, I will defer this Question for two weeks.

Mr. Anyona: On a point of order, Mr. Speaker, Sir. Because of the serious shortage of water in Nairobi and other towns, there is a lot of hawking of water. So, in his endeavour to find out whether water being supplied to consumers in Nairobi is safe, he should tell the House whether water being hawked in tanks is treated. In fact, most Nairobi residents get their water from such hawkers as of now.

Mr. Speaker: Very well; I am sure that the Assistant Minister will get all the expertise within the Government and bring to this House the right answer.

(Question deferred)

QUESTIONS BY PRIVATE NOTICE

ALLOCATION OF CHILDREN'S HOME PLOT

Mr. Wambua: Mr. Speaker, Sir, I beg to ask the Minister for Local Government the following Question by Private Notice.

(a) Is the Minister aware that Masaku County Council Children's Home plot with more **[Mr. Wambua]** than 100 orphans and destitute children has been sub-divided for sale and allocation?

(b) Who are the beneficiaries of the plots and what action has the Minister taken to stop the allocation of the children's home?

The Assistant Minister for Local Government (Mr. Sirma) Mr. Speaker, Sir, I beg to reply.

(a) I am aware.

(b) I have already directed the cancellation of the allocation of the said plot to private developers and further instructed that the entire land parcel be reserved for the children's home. Arising from that directive, the issue of the beneficiaries of the plot does not arise.

Mr. Mwakiringo: On a point of order, Mr. Speaker, Sir. Is the Assistant Minister in order to mislead the House? The answer he has just given is the same one given last week when this Question was first asked. The Chair deferred the Question and directed the Assistant Minister to bring a list of the beneficiaries of the said plot. That was the contentious issue then.

Hon. Members: On a point of order, Mr. Speaker, Sir.

Mr. Speaker: Order! Order! Mr. Assistant Minister, the direction from the Chair is as follows: You have admitted that the said plot was sub-divided. The land parcel could not have been sub-divided for non-entities; it must have been sub-divided for some entities. We want to know who they are.

(Applause)

The House is happy that you have revoked the allocation of the sub-divided plots to private developers, but who are the would-be beneficiaries?

Mr. Sirma: Mr. Speaker, Sir, since the said allocation has been revoked, there are no beneficiaries.

Hon. Members: Aah!

Mr. Speaker: Order! Order! There must be seriousness in the transaction of parliamentary business. We are here for serious business. The people of Kenya expect us to be serious.

Mr. Assistant Minister, if this Question had not been brought here, probably, the children's home would have been taken away by some persons. You said that you have revoked the allocation of the plot to private developers. You could not have revoked allocations that had not taken place. To whom was the plot allocated? This is a valid supplementary question, and you cannot wish you it away.

Mr. Sirma: Mr. Speaker, Sir, I do not have the names of the allottees. Maybe, you will defer this Question to enable me bring the names of the would-be allottees, if they ever existed.

Mr. Wambua: Mr. Speaker, what is your reaction to that request?

Mr. Wambua: Mr. Speaker, Sir, I think there is a lot of joking on the Assistant Minister's part in answering this Question. Initially, this Question was deferred because the part that seeks to know the names of the allottees was not addressed. The Assistant Minister was to bring those names. The answer he gave today is the same one given last time. So, could he give us the names of the allottees? That is my question.

Mr. Sirma: Mr. Speaker, Sir, as I said, I do not have the list of the allottees, if they ever existed. However, I need time to get those names, if some people were allocated the said land.

Mr. Anyona: On a point of order, Mr. Speaker, Sir. The first aspect of part (b) of the Question is about the list of the allottees, while the second one is the action taken to revoke the allocations. The Assistant Minister has told us the action he has taken but he has not addressed the aspect of the list of allottees. In any case, he was specifically directed by this House to bring the list of allottees. In actual fact, that is defiance of the direction of this House.

An hon. Member: He should be named!

(Mr. Speaker consulted with the Clerk)

Mr. Speaker: Order! I do not think I was present when this Question was asked. But I am informed by the Clerk at the Table that, indeed, the Chair did make a direction that the list of the beneficiaries of the plots be laid on the Table of the House. That was a direction from the Chair. To the best of my understanding, directions of the Chair must be obeyed. There cannot be any possible explanation for disobedience. I would like to know from the Assistant Minister whether he was the one who was directed by the Chair, or it was another Assistant Minister. Mr. Sirma, could you respond?

Mr. Sirma: Mr. Speaker, Sir, I was not the one to respond to this Question. It was Mr. Hashim. But since he is not present, and in the spirit of collective responsibility in the Government, I took it upon myself to answer the Question.

Mr. Speaker: Order! Before we move further, I have in mind either to direct that the hon. Assistant Minister who was directed by the Chair should come here and tell us why he did not comply, or I defer this Question. Mr. Sirma, I defer this Question to Tuesday, next week. I further direct that you be the one to answer it, and that part "b" of this Question be fully answered.

An hon. Member: On a point of order, Mr. Speaker, Sir!

Mr. Speaker: Order! I am now directing that this Question be deferred to Tuesday and it must [Mr. Speaker] be answered by Mr. Sirma. I further direct that part "b" of the Question be fully answered. In the event that you will refuse to come and answer, then you will face the wrath of the Chair.

(Mr. Sirma laughed)

Order! Mr. Sirma, this is not a laughing matter. It is serious! So, the Question is deferred to Tuesday, next week.

(Question deferred)

Dr. Kulundu: On a point of order, Mr. Speaker, Sir. In view of the Ministry's persistence in misleading this House over this Question, would I be in order to seek your guidance on the provisions of Standing Order No.88(2)?

Mr. Speaker: We will revisit that one on Tuesday!

Mr. Kitonga: On a point of order, Mr. Speaker, Sir. Is it really in order for President Moi to appoint such a calibre of a person as an Assistant Minister to run the affairs of this Government?

(Laughter)

Mr. Sirma: Mr. Speaker, Sir, that is a very derogatory remark against an hon. Member of this House. The likes of the hon. Member should cease---

Mr. Speaker: Order! Mr. Kitonga, your comment is a personal attack on a colleague, contrary to our Standing Orders. I order that you do withdraw and apologise to the House.

Mr. Kitonga: Mr. Speaker, Sir, I sincerely withdraw and apologise to the House. Let the Assistant Minister not meet me outside. I am sorry!

Mr. Achola: On a point of order, Mr. Speaker, Sir. In view of the unreliability of this Ministry, could we also ask the Assistant Minister to lay on the Table of the House the letter revoking those allocations? We are not sure whether he has actually revoked them.

Mr. Speaker: Very well. I think I have been very hard on the Assistant Minister and he was not the one who gave an undertaking, in the first place. He is already feeling the heat. So could we leave it at that? Next Question!

HOSPITALIZATION OF ZAKAYO NYABUTI

Mr. Anyona: Mr. Speaker, Sir, before I ask my Question, I would like to bring to the attention of the Chair that the written answer I have here is not signed, contrary to the rulings the Chair has been making in this House. However, I beg to ask the Minister for Medical Services the following Question by Private Notice.

(a) Is the Minister aware that Mr. Zakayo Nyabuti was seriously injured in a road accident (vehicle KAK 074A) and was admitted at Nakuru Provincial Hospital (Ward No.10 Bed No.8) on Friday 20th April, 2001, with serious injuries and fractures?

(b) Is he further aware that the hospital demanded Kshs20,000 before performing an operation on the patient?

(c) Since the patient paid Kshs11,000 without being given a receipt and could not raise the balance of Kshs9,000, could the Minister investigate the matter and ensure that the patient is given full treatment, including surgery?

The Minister for Medical Services (Mr. Mohamed): Mr. Speaker, Sir, I beg to reply.

(a) Yes, I am aware that Mr. Zakayo Nyabuti was seriously injured in a road accident and was admitted at Nakuru Provincial Hospital for treatment.

(b) I am not aware that the hospital demanded Kshs20,000 before performing an operation on the patient. However, I am aware that he was advised that the operation would cost about Kshs20,000.

(c) I have investigated the matter and confirmed that the patient was fully treated despite the fact that he did not pay fully for the treatment.

Mr. Anyona: Mr. Speaker, Sir, I would like to believe that this is a serious Minister, if for nothing else but because he wears a religious cap. I would like the Minister to tell the House what type of treatment the patient was given. If there was an operation, when was it performed? Which day? Could he also produce evidence before this House to support his claim?

Mr. Mohamed: Mr. Speaker, Sir, the patient was treated. He was operated upon and after he fully recovered, he was discharged from the hospital.

Mr. Anyona: On a point of order, Mr. Speaker, Sir. I asked the Minister to tell us when the operation was done. There was no point for a hospital to refuse to carry out the operation when money had been paid.

Mr. Speaker: Mr. Anyona, just for the interest of the House so that we do not take the House's time unnecessarily, the Minister said the patient had been treated and operated upon, healed and discharged. Are you disputing those facts?

Mr. Anyona: Mr. Speaker, Sir, I am disputing those facts because there is no evidence to that effect. I was in Nakuru and met the relatives. The patient is still in great pain in hospital. His relatives raised Kshs11,000 and yet, they were not issued with a receipt. That is why I am disputing those facts.

Mr. Mohamed: Mr. Speaker, Sir, the patient was admitted on 21st April, 2001. He was operated upon on 1st May, 2001, nine days after he was admitted.

Dr. Kulundu: Mr. Speaker, Sir, this is very worrying answer from the Minister. It is so worrying that the Ministry should go ahead and advise Kenyans who use motor vehicles, to be carrying large sums of money just in case they get involved in accidents and are referred to public hospitals.

Mr. Speaker, Sir, how can any sane person demand Kshs20,000 from a seriously injured patient before an operation is carried out? Nine days is too long a period for someone who has been injured to wait for an operation. Why did it take so long for the medical personnel to attend to a seriously injured person?

Mr. Mohamed: Mr. Speaker, Sir, the reason was not due to lack of money. There are so many reasons why the patient had to wait for the operation. One is the availability of place---

An hon. Member: A dying person!

Mr. Mohamed: Mr. Speaker, Sir, it is not true that the patient was not operated upon because of lack of money. The patient was advised that the operation called implant canal(?) surgery, together with bed charges, was to cost Kshs20,000. However, the patient was able to raise Kshs11,000 for the implant, leaving a balance of Kshs9,000 which is still pending. He paid Kshs3,840 after he was discharged from the hospital. This was the amount he paid after he stayed in the hospital for 32 days. In other words, he was being charged Kshs120 per day. So, it is true that he was treated and that it was not due to lack of money that the operation was delayed. It was because of other reasons. We all know that when a patient is admitted to a hospital, there are many things considered before he or she is operated on. For example, the wound has to heal.

Mr. Angwenyi: Could the Minister state categorically that no Kenyan will be denied treatment for lack of money?

Mr. Mohamed: Yes, I can assure this House that no Kenyan will be denied treatment because of lack of money.

Mr. Keriri: Mr. Speaker, Sir, is the Minister aware that private practitioners, especially surgeons, camp in general hospitals waiting for patients to charge them exorbitant fees? If he is aware, can he stop this habit by issuing out a circular instructing hospital authorities to observe what he has stated here?

Mr. Mohamed: Mr. Speaker, Sir, I am not aware of that.

Mr. Nyachae: On a point of order, Mr. Speaker, Sir. Is the Minister in order to avoid answering the part of the Question which touches on the alleged fraud that money was paid and no receipt was issued? Could he comment on that?

Mr. Mohamed: Mr. Speaker, Sir, the Kshs11,000 was paid by the patient directly to the supplier of the implant and I am laying the receipt which was issued on the Table.

(Mr. Mohamed laid the receipt on the Table)

Mr. Anyona: Mr. Speaker, Sir, this is a very serious matter. When the Minister says that "the patient was advised," the patient is a poor school-leaver who was looking for a job and was staying with his brother in Nakuru. When they refused to treat him, a message was sent home and the family sold the only cow they had, to come and pay Kshs11,000. In view of the seriousness of this matter, could the Minister produce the full medical record of this case before this House, right from admission, treatment and to discharge of the patient, including the receipt to show that Kshs11,000 was accounted for, because, as far as I am concerned, that was a fraud?

Mr. Mohamed: Mr. Speaker, Sir, the details of this case are as follows:-

The implant was supposed to cost Kshs13,000 and the patient paid Kshs11,000 only. The two operations did cost Kshs3,000, the daily bed charges for 32 days times Kshs120 per day, cost Kshs3,840. The total cost was Kshs19,840. The patient only paid Kshs14,840 and the balance was waived by the hospital.

ALLOCATION OF PLOT TO CIVIL SERVANTS

Mr. Munyao: Mr. Speaker, Sir, I beg to ask the Minister for Lands and Settlement the following Question by Private Notice.

(a) Is the Minister aware that a piece of land, LR No.8825-8826 and parcels Nos.80 and 83, both measuring 2000 acres in Kangundo Division, Machakos District, have been irregularly allocated to some civil servants, among other persons?

(b) Could he undertake thorough investigations and table the names of the allottees?

(c) Could he further revoke the allocations so that the land goes back to the people of the area?

The Minister for Lands and Settlement (Mr. J. Nyagah): Mr. Speaker, Sir, I beg to reply.

(a) I am not aware that a piece of land LR No.8825 in Kangundo Division, Machakos District, has been irregularly allocated to some civil servants, among other persons. But I am aware that LR No.8826 was allocated to an individual on 8th November, 197.

(b) My investigations show that LR No.8825 was sub-divided into two portions of 500 hectares and 10,470 hectares each. The 500 hectares portion was reserved for Kenya Broadcasting Corporation, while the other portion remained with the Veterinary Department. The parcel of land, LR No.8826, was allocated to a Mr. F.J. Muoka.

(c) The allocation was done regularly and according to the law. I cannot, therefore, revoke it.

Mr. Munyao: Mr. Speaker, Sir, I thank the Minister for that short answer. But, in my Question, I had indicated parcel LR Nos.8825-8826. Let me clear one thing with the Minister, that the gentleman named as Mr. F.J. Muoka, is on respectable person in Ukambani and we would not like his name to be drawn into these circles. We are talking about 10,470 hectares purported to belong to the Veterinary Department. Those are the parcels of land measuring 2000 acres, which have been given to officers in those areas. Could the Minister be more serious and tell us the truth? I am prepared to give him more time to come back to this House with a proper answer because he is an honest Minister. I have been to his office over the matter and I have got more details about the same case.

Mr. J. Nyagah: Mr. Speaker, Sir, I think there is some bit of misunderstanding of this Question. The Question that was submitted to my Ministry contained two numbers: LR Nos.8825 and 8826. So, my answers are addressed to those two plots. It is my understanding that the Veterinary Department land still belongs to the Veterinary Department land even today. But the hon. Member is telling this House that, that is not the case. Could I be sure that, that is what he is saying?

Mr. Munyao: Mr. Speaker, Sir, the Question I drafted contained the two old numbers; LR NO.59207 and 57261. But I had indicated in my Question the new LR NO.8825-8826. We are now are querying about the ownership of the two parcels measuring 1000 acres and 1000 acres each. These parcels had been allocated to some officers in the area without approval. We are trying to keep the name of F.J. Muoka out of this land saga because he is a respectable retired officer.

Mr. J. Nyagah: Mr. Speaker, Sir, when I read my files, I just see names and I do not distinguish between a regular mwananchi of Kenya and a respectable officer because those are the people I deal with on normal basis.

Secondly, having understood the issues he is raising, I am quite happy to go and prepare another answer. But we genuinely answered the Question the way we understood it. I will be quite happy to come back to the House with what he has clearly stated when he has put it here verbally.

Thank you.

Mr. Speaker: Very well.

Mr. Munyao: On a point of order, Mr. Speaker, Sir.

Mr. Speaker: Order! Mr. Munyao, it helps the House if you frame your Question in a precise manner. Can you help him so that when the Question comes to the House next time, we will come to the heart of the matter rather than doing things irrelevantly?

Mr. Munyao: Most obliged, Mr. Speaker, Sir.

(Question deferred)

Mr. Wamae: On a point of order, Mr. Speaker, Sir.

Mr. Speaker: I understand you quite well, Mr. Matu Wamae, but time is against me. I would advise you to raise the issue you wanted to raise now, tomorrow morning because today is a day reserved for the Committee of Ways and Means. So, I would oblige all hon. Members who wish to give Ministerial Statements to do so tomorrow morning.

Next Order.

COMMITTEE OF WAYS AND MEANS

(Order for Committee read)

[Mr. Speaker left the Chair]

IN THE COMMITTEE

[The Temporary Deputy Chairman

(Mr. Musila) took the Chair]

MOTION

APPROVAL OF TAXATION MEASURES

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 2001/2002 be approved.

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

(The Minister for Finance on 28.6.2001)

(Resumption of Debate interrupted on 28.6.2001)

The Temporary Deputy Chairman (Mr. Musila): Order, hon. Members! We will continue with the Committee of Ways and Means, 2nd Allotted Day. Mr. Ndilinge was on the Floor, but he concluded his contribution.

Yes, Mr. Obwocha.

Mr. Obwocha: Thank you, Mr. Temporary Deputy Chairman, Sir. I want to make very brief remarks on the tax proposals. I would like to start off with the VAT. You remember that last year, when the Minister for Finance presented his Budget, there was hue and cry about the rate of the VAT. We were expecting him to reduce the rate from 18 per cent to, at least, 15 per cent, but he did not do that. That continues to affect the common man, but I want to say something about the VAT imposed on certain items in bookshops, chemists and certain specified shops. The KRA has come up with a proposal that every shop that sells the items must keep a stockcard. But the major complaint on that issue is that there are items that go for as low as Kshs5 or Kshs1. How is one expected to keep a stockcard for an item like that one - where somebody buys 100 items - considering their nature and pricing? This is an area where the KRA must re-examine the provisions of keeping those stockcards. I know that the principle in taxation is that where the administration of that tax exceeds the revenue, then, that tax is not worth imposing on the people. I, therefore, believe that the KRA should examine all the items under Kshs100; they are too small for this provision to be imposed on them. I generally agree that shopkeepers must keep stockcards intact so that the KRA can trace the way the items are being sold, so that we can collect enough VAT, but for items where the cost of administering that tax exceeds the revenue, then, that tax should be abolished.

Mr. Temporary Deputy Speaker, Sir, the second issue that I would like to comment about on the miscellaneous taxes is the licensing of professionals. The Minister for Finance has given the responsibility of taxing professionals to the local authorities; licensing professionals in order for them to practise in the local

authorities. Those are professionals like doctors, lawyers and accountants, among others. But you and I know which professional doctor or accountant can practise and his or her professional body; that is, the one who is competent and who can practise, and who cannot. But a local authority cannot know that. The local authorities do not know about that. Therefore, the responsibility of licensing professionals should be solely the responsibility of the professional body because it is the one that knows the quacks from the real doctors, and the fake accountants from the real ones. Therefore, that issue should be taken back to the professional bodies which can then collect the money on behalf of the KRA, but not the local authorities, or collect the money on behalf of the respective local authorities where they are, and then send the money to them.

There is a facility this House passed, the Local Authorities Transfer Fund. Recently, the Minister disbursed funds to various local authorities. I have in mind the money disbursed to Nyamira County Council. I believe that the LATF we passed was supposed to come and assist the local authorities; maybe, pay their salaries, examine the state of their roads, repair them and other related incidental expenses. But when Nyamira County Council got its money, it is not known where it went to, and the Minister had promised that before releasing that money to any local authority, the local authorities must produce audited accounts. Could the Minister tell us which authorities have fulfilled those requirements? This is because I do not believe that the local authority has had its accounts audited. We would like to know about that because that money has been misused.

Mr. Temporary Deputy Speaker, Sir, there has been the problem of layoffs in the country, but I believe that the real problem is our liberalisation exercise. We took liberalisation to mean that everybody can come in and do what they want without considering the base of this country; what we depend on. What we are seeing now; industries closing down, employees being declared redundant and some retrenched, is as a result of blind liberalisation. This country needs to re-examine liberalisation. We are not saying that we should backtrack, but that we should re-examine our areas of strength so that we do not destroy this country. We have actually destroyed half of this country. If we continue the way we are doing, then we can be sure that we are just day-dreaming when we hope to industrialise this country by the year 2020. We cannot do it if we do not re-examine the way we are carrying out our liberalisation programme.

Mr. Temporary Deputy Chairman, Sir, I believe that the Minister for Finance also needs to re-examine company taxation. I appreciate that he made a gesture in this direction by reducing company tax to 27 per cent for the newly established companies. The fundamental issue is that, at the moment, many companies are doing very poorly. We need to re-examine the rate, which I believe is still at 32.5 per cent, so that these companies can continue to employ our people. My major complaint on the companies is in relation to banks. Banks are closing down. For example, we used to have two banks in Nyamira District, but now there is only the Kenya Commercial Bank (KCB). I understand that the KCB branch in Nyamira is on the list of those that will be closed. What are the people of Nyamira supposed to do? Our total revenue for the five tea factories is in excess of Kshs1 million. Where are we supposed to take this money if we cannot be given even one branch?

The Temporary Deputy Chairman (Mr. Musila): Order, Mr. Obwocha, your time is up.

Mr. Angwenyi!

Mr. Angwenyi: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me an opportunity to comment on these tax proposals. The tax proposals are not limited to the five which are mentioned here. They should have included cost-sharing as a method of taxing Kenyans to raise funds for purposes which are not clear. The Minister has proposed to increase penalties on timber duty evasion so that he can strengthen enforcement. I do not think the problem lies in the penalty. In this country, the problem is corruption. That means that non-compliance is as a result of corruption. The higher you increase the penalty for non-compliance, the higher you make the bribes.

The Minister has also proposed to increase the factory licence fee by a very high margin. What this country needs right now is the establishment of more factories. We should encourage investors to establish factories and not discourage them. When you increase a licence fee, you are putting off a number of small-scale investors from establishing factories. We should establish more factories even if it means not paying any licence fee, so that we can rejuvenate our economy. We will also create jobs for our people instead of taking so much money from them and thereby, impeding those who would want to invest. In other countries the Government gives tax holidays from licences, land rates and other taxes so as to encourage investors to invest and rejuvenate their economies. We should do the same here in order to revive our depressed economy. I find it strange that this Government would want to increase taxes at a time when they should be giving tax holidays to attract investors.

The net for the Value Added Tax (VAT) is being expanded to cover all sorts of items. The VAT has got a specific and immediate impact on our people. When you buy a sweet, handkerchief or fuel, you pay tax. You pay tax and yet you do not see the services being provided. There is no security in the country, the potholes are not sealed, you cannot get health care in our health facilities, our children in schools are not provided with proper learning facilities and equipment, and yet we pay taxes. I thought that the net would be reduced so that we levy VAT on a few commodities, especially luxury items and not those used for basic needs. At a time when the

economy is undergoing a depression, the Minister wants to tax every Kenyan more. The Minister should look at that issue and reduce the VAT being levied on our people.

The relief for income tax has been increased by about Kshs1,000. What is that when people are being evicted from Government-owned houses to private owned-houses? This means that their cost of living will increase. Parents are paying high fees for their children in schools and people are required to pay heavy deposits in hospitals before they can be treated. This afternoon, we heard of a case where somebody who required an operation was denied treatment for nine days and yet a Minister could state that fact without blinking an eye. That is where our country is leading to; a situation where they do not care about the welfare of the people of this country. The tax relief should have been increased substantially to give relief to our people.

There is the proposal of miscellaneous fees and taxes which are being levied left, right and centre. I do not know whether the kangaroo fees paid to our chiefs, assistant chiefs and Administration Policemen (APs) are included in this category. I would ask the Minister for Finance to include the money that is paid by our people in the rural areas and villages, to the chiefs, assistant chiefs and APs, in the miscellaneous fees so that it can be accounted for in the provision of services.

Mr. Temporary Deputy Chairman, Sir, we levy taxes and pay salaries and allowances to these public servants, but instead of providing services to the public, they go out there and set up kangaroo courts. If you travel through the roads of this country, you will find that people are being levied fees at the roadblocks. The matatu owners are paying fees and taxes at various roadblocks. This morning, I was coming from Kisii and I passed through one of the roadblocks. There was a vehicle ahead of me which was overloaded. The matatu owner gave something to the policeman and the policeman allowed him to proceed with his journey. When I stopped to ask the policeman why that vehicle was overloaded, he said he did not see it, yet he could see the vehicle proceeding overloaded with people. These are some of the illegal taxes that are being levied upon our people. The Government must stop these types of taxes.

There is another tax that has not been explained in the Minister's speech. This is the taxation through Harambees where Members of Parliament have been made the development agents. Instead of the Government being the development agent of this country, now Members of Parliament are busy all the time as the development agents of this country. They are not given money by the State. The money which is collected through taxation is not given to the Members of Parliament to go and initiate building of District Commissioners' offices and their houses, schools and health facilities. These days, the Government never constructs any health facility in the country. It says that the Member of Parliament for an area will construct these facilities and if he does not do it, he is castigated for not having done it. Yet, there is a Government which is collecting taxes from our people and not providing services and facilities to them. Harambees must be included in the future Budget proposals as one method of taxing Kenyans.

Mr. Temporary Deputy Chairman, Sir, the final proposal which the Minister should have made in the Budget Speech is about cost-sharing. Our people are cost-sharing with the Government in the educational sector. About 70 per cent of the education cost in this country is paid by the people outside the taxation system. With regard to the health facilities, yesterday, I was at the Kisii District Hospital and I saw three to four patients sharing a three-feet wide bed. We are paying taxes to our Government and it cannot provide adequate facilities. In fact, if you are admitted at the Kisii District Hospital suffering from a particular illness, you may, probably, contract some two to three more illnesses because you will share a bed with three or four other patients. The members of the public are opting for the private health services, yet we have public health services in this country.

With those few remarks, I beg to oppose.

Mr. Kibaki: Thank you, Mr. Temporary Deputy Chairman, Sir.

In commenting on these tax measures, I wish to say that one of the most remarkable things about this year's Budget, which is exactly as it was in last year's Budget, concerns monies which we do not know whether we shall get or not. This money has been promised by the donors and has been included in the revenues that will be available to the nation. I am asking whether it is logical, or even proper, for a Minister to include in his Budget, money which he is not sure he will receive. There are conditions from the donors which have not been fulfilled, and until they are fulfilled, we shall not receive the money. Last year, we did not receive the money from the donors and this year, things are even worse. The Government is proposing to close the Budget gap on getting Kshs27 billion from donors. If the money is not given, we shall be short of Kshs27 billion. What is the logic of including this money as part of the revenue expected to be raised? This is a mistake. It is almost a fraud.

The 18 per cent VAT is killing the tourism industry. Everybody else in world, particularly the tourist destinations in the Far East and Thailand, have lowered VAT. We have raised VAT to 18 per cent. What is the logic? Are we just thinking of raising money or promoting tourism so that the economy as a whole could gain? The tourist hotel owners have maintained these hotels even when they have nobody staying in them. If you charge 18 per cent VAT on whatever little business they do, they will not recover. I do not know the logic of the Minister for Finance in trying to kill the goose which would lay some golden eggs later. Why can the Government not wait

until the tourism industry picks up first, and then it can raise the VAT after that? At this moment, it is a mistake to raise the VAT.

If you want an economy to begin recovering, you must promote construction. In Kenya now, people who have invested in construction of office blocks or houses will now pay VAT of 18 per cent. Many of those office blocks in Nairobi and other towns are empty. There are no tenants to rent them. Many other office blocks have been vacated because business is going down. If anyone is lucky to get a few tenants to rent some offices and he does not close down his business, why should we charge him 18 per cent VAT? We are discouraging investments into those aspects which would promote the economy of this nation. So, this 18 per cent VAT on commercial rental buildings ought to be reduced. It ought to be reduced to where it was. In fact, if possible, it should be reduced to 10 per cent. We want to encourage the growth of that particular industry because that is where employment will come from. Employment opportunities cannot be created through imposing this tax. In fact, you are killing that particular investment because nobody will go into it now. I do not know why the Minister should persist in doing that.

Mr. Temporary Deputy Chairman, Sir, as you know, the sugar industry in Kenya has been killed by the importation of cheap sugar, which is not charged any duty. Our sugar factories will be closed down and people will be discharged from employment. Farmers will not be paid their dues because sugar factories, such as Mumias and Nzoia, have huge stocks of sugar in their stores and have borrowed heavily to maintain these stocks. At the same moment, we are levying heavy Excise Duty on these factories. The only sensible thing for a Kenyan to do is to lower the Excise Duty on sugar, so that the price of the Kenyan sugar becomes competitive and, therefore, capable of competing with the imported sugar. What is the point of raising a few million shillings through taxation when the industry is dying, and when a Minister can stand up and say that some of the sugar factories must be closed down? Did he think of what will happen to the sugar-cane growers? Did he even stop to think about what will happen to all those workers who will be sacked? Since this is an industry that we have, what is wrong with preserving it by giving it a little bit of protection? There is nothing wrong with this. That should be done by removing the Excise Duty on sugar and making it, therefore, competitive, and the sugar factories will sell their stocks. As things are now, even the most profitable factories will close down because they cannot go on with that very heavy Excise Duty.

We were promised last year by the Minister that he would remove the Presumptive Tax on the farmers. This is one of the most shameful and primitive taxes. When a farmer has two cows, she sells an amount of milk and she is taxed on the gross figure she gets from the Kenya Co-operative Creameries (KCC) or from whoever buys her milk. That is never done in the world. The gross figure should not be the one to be taxed because the dairy farmer has to buy cow feeds and medicines for the cows and employ a herdsboy. Those costs should first be deducted from the gross figure of her earnings. Taxing the gross figure that she gets from the KCC is criminal. I do not know who will arrest the Minister and put him in a civil jail for some time. This Presumptive Tax is terrible and the Minister should be ashamed that he is imposing it on farmers. We are trying to encourage the small producer to come back to the level of being able even to buy foodstuffs. If someone grows some maize and he sells it to the National Cereals and Produce Board (NCPB), he is taxed before the cost of production is taken into account. This Presumptive Tax should be abolished.

Mr. Temporary Deputy Chairman, Sir, tourism should be encouraged by introducing a tax relief. We must look into ways of reducing tax liabilities for hotel owners who maintain their hotels without any residents, in the hope that they will be used in future. It is the only way that will keep hotels open. Otherwise, having over 40 hotels closing down, when you try to re-open them again, the cost will be enormous. But if we could give the tax relief on money that they are spending to sustain the hotels even without tourists, then we would be prepared for the time when tourism will pick up. That would be the way to encourage those who have put their millions in those hotels.

Mr. Temporary Deputy Chairman, Sir, the Minister has sent a circular around to people who own clubs, whatever clubs they are; football clubs, golf clubs, tennis clubs, social clubs and others. The subscription of members is taxable with regard to Value Added Tax (VAT). What service is the club selling, which you would like to tax? That is not done by anybody else on this earth! Clubs are social places and there is no business going on. The idea was dreamt up by somebody who must have been a young boy straight from school! He should know that clubs are not taxed because they are social places. It is actually tragic when you think more of it. Could the Minister withdraw the tax? It is not too late, and actually, he will not be paid. We shall let you take us to court and argue it there. That is what is going to happen. The true disgrace of tax measures which have not been thought out will come out in the open!

Finally, Mr. Temporary Deputy Chairman, Sir, I agree with the proposal which has been put here, that Harambee contributions, if they are going to continue, should be deductible from tax. After all, the Government made a decision that "from now on, or from ten years ago," it would not pay for construction of any schools, classrooms and teachers' houses. So, it is the parents who pay for that. That money should be deductible from

tax because we are financing what the Government should be financing. Therefore, it is logical that the money we contribute to build a school, health centre - we are building even roads in some places - should be deductible. It is logical because the decision was taken by the Government. For ten years, the Government has not paid a cent towards construction of capital works for social services and education facilities.

While I am on that subject, the Minister must know that, because of that decision not to build any classrooms, parents in, at least, 27 poor districts in Kenya have no schools. You find 60 children in a classroom. It is a disgrace to continue with that policy. It means those children are being denied the opportunity to learn. The Government must review that decision and, preferably, remove all the fees.

Mr. Anyona: Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to make two brief observations before I discuss the taxation measures. I would like to comment on the goings-on in the Civil Service. The purpose of a budget is to provide an orderly mechanism of managing national resources and services. But as we have been debating this Budget, certain disruptions are taking place. It makes Parliament and the whole process of Budget look ridiculous. If we are going to retrench public servants--- My position on that is that the retrenchment process is unconstitutional. We intend to bring proposals to this House to show that, that is the case. It is a measure that has been imposed on the Kenyan people as a form of punishment by the Government. Ordinary Kenyans are suffering! But even then, the matter should be implemented in a human and humane way. Now, there are Kenyans who are going to be retrenched. They do not know their fate. They do not know where to go. They will not be paid in time. They do not know how much money they will be paid. Even the ones who were retrenched before have not been paid! I think that is a very bad way of managing national issues.

Secondly, there is the question of housing. If the Government must now abandon its workers and put them at the mercy of the forces of capitalism, it is fair enough. But then, the manner in which the exercise is implemented is not fair. We would expect that it is done in stages. You do not make a decision during the Budget Speech and implement it on the 1st of July because you have not even paid them those allowances! Even if you paid them the allowances, the process of having to relocate is long and involves other social activities. Families have to look for schools. They have to move to new places. They have to put their own act in order. Why is it not possible for the Government to allow public servants to stay in those quarters, and adjust their rents gradually to market rates? Why do we have to do it by the stroke of the pen? In spite of the assurance that we have in the Press today by the Head of Public Service, that civil servants and other public servants will not be forced to vacate those premises, we do want the Government to ensure that public servants are able to relocate at their convenience, when they are able to do it in a humane way.

Thirdly, Mr. Temporary Deputy Chairman, Sir, I would like to make a comment on the goings-on in the private sector. Because we have given the cue as the Government that you can retrench--- In fact, I do not know where the term "retrenchment" has come from! We have had to ask in this House! Normally, employment has a normal terminology which we use like; "you are on probational terms, permanent and pensionable", or whatever it is. But a term out of the blue is introduced and it is called retrenchment. You cannot define it in law or policy. But because we gave that cue in the public service, the private sector has taken that cue, and people, so to speak, are also being retrenched there.

I would have thought that there are laws which regulate employment in the private sector. Companies are allowed to declare redundancies, but there are laws to be followed. So, are the so-called retrenchments in the private sector redundancies or what? What are they? As a result of all that, we are creating more poverty and unemployment, instead of pretending that we are eradicating or alleviating poverty and reducing unemployment.

Mr. Temporary Deputy Chairman, Sir, I would like to make some general observations about the Budget.

I think there is something fundamentally wrong with the formulation of the Budget. Budget-making used to be a secret weapon. I do not know why it ever was like that! Why did you want to suppress your own people, instead of preparing them? We believe that there should be consultations. We are told that there are consultations between the Government, the World Bank and the International Monetary Fund (IMF). As Mr. Kibaki said, when it comes to reality, those consultations come to nothing because nothing materialises! So, you wonder, really, what those consultations were all about; whether it was a conspiracy to come and mislead Kenyans that they have a Budget, when, in fact, we do not have any Budget as such!

Mr. Temporary Deputy Chairman, Sir, there are apparently consultations with the donors who tell us they will give us so much money, but it never materialises. There are hardly any consultations between the Government, its own people and Parliament. It is really meaningless for us in this House, on both sides, to come here and start disputing what we have produced in the Budget. There should have been a general agreement, as a matter of principle, that these are the things to do, and then here and there, it is a question of give and take. We want from now on, the Budget to be a process of give and take and of consultations. We do not want Parliament, on behalf of the people, to be used as a rubber stamp. Now, if your own people do not have money, why do you tax them? Why do you not just accept that we are poor people and, maybe, we go begging?

Mr. Temporary Deputy Chairman, Sir, I would like to say that, as a result of some of the things we have been talking about, it is quite clear that there were never any consultations. Look, for instance, at the Customs Tariff and, especially, what hon. Kibaki was talking about in relation to COMESA and sugar imports. Yes, we are members of COMESA and sugar imports from COMESA are destroying our own industries. How do you become a member of a club when you have nothing to contribute to it? The Government must go back to COMESA and ensure that there are equitable provisions which ensure that the industries in all these countries are protected, and that they grow in tandem.

I remember, in the old days of the East African Community, there was a provision that if one country was stronger than another in a particular area, there were in-built mechanisms to protect the other countries. I think that should be done. However, that goes to show that there have been no consultations between our people who deal in sugar, that is our farmers, and business people, in this particular respect.

Mr. Temporary Deputy Speaker, Sir, on excise duties, the Minister, with tongue in the cheek, told us that he was imposing Kshs2 increase on petrol prices by saying it will not be passed on to the consumer. Now, we wondered aloud how that was going to be done. In actual fact, not only has that not happened but, in fact, the private companies have gone on to raise tax on all fuels. Now, if the Government is helpless and cannot impose these things and create a legal mechanism to enforce it, then, please, do not do it.

Mr. Temporary Deputy Chairman, Sir, on the Value Added Tax (VAT), I have worked for the airline industry, and so I know something about tourism like hon. Kibaki was saying. In the tourism business you are in competition with the rest of the world. You are not there just raising revenue. We cannot be crying about reviving tourism when we are imposing barriers here. We must accept that this is one area where we may not be able to make any revenue. So, lower it to levels that will ensure that tourism recovers.

Mr. Temporary Deputy Chairman, Sir, on the question of Presumptive Tax, I do not understand what the Minister is saying. As far as I know, we abolished the tax last year. That is what I thought because in the Finance Bill, it was abolished. Now, he is not proposing it in the new Budget, although I have not looked at the Finance Bill. Maybe, it is there. However, the point I want to make is this: You must differentiate between the large-scale farmers and the small-scale farmers. For the large scale farmers, you can require them to produce returns, but it must be the case that the small-scale farmers are not taxed.

Mr. Temporary Deputy Speaker, Sir, finally, I am wondering how the Minister is going to be able to take over the National Hospital Insurance Fund (NHIF) and Catering Levy Trustees (CLT).

I beg to support.

Mr. Donde: Thank you, Mr. Temporary Deputy Chairman, Sir. As we have noticed, there is very little interest in the Budget because of the way it was presented. First of all, if you look at the whole country, the economy and industries are both doing very badly. The only industry which is doing well is the Kenya Revenue Authority (KRA); otherwise, nothing else is making money. So, in order for us to be able to jump-start the economy, the Minister should have come up with very radical proposals to do so. I remember very well in the United Kingdom (UK), when Tony Blair took over, the British economy was almost decaying. When he took over, he made very radical changes that the economy picked up almost immediately. We should learn from those examples. So, it is very unfair for the Minister to come here and just leave things the way they are.

Mr. Temporary Deputy Speaker, Sir, if you look at the intent to increase VAT by 18 per cent on properties, you will find that the property market is already badly off. If you walk into Industrial Area and this City, you will find empty premises and godowns, and then you go and add another 18 per cent VAT on the same. If you do that, what are you going to give to the property market?

So, I would suggest that the Government should have been sympathetic to the property market and give a modest VAT rate, for example, 10 per cent, and then reduce the starting point to Kshs2 million rather than Kshs3.6 million, so that we have more people into the market and reducing the maximum. This is because we are going to give the property market industry a very heavy problem. I can predict that if this is passed the way it is at 18 per cent, we will see most people operating businesses in their homes, and very many empty offices. Once the property market goes down, we know what happens to the economy because the construction industry is one of the major industries that hits the economy hard. So, I would suggest that the Minister looks carefully at the VAT which he has imposed on properties with a view to reducing it and expanding the brand of people who should pay to Kshs2 million and above.

Mr. Temporary Deputy Chairman, Sir, the other thing I am very surprised about is the way VAT is chargeable. For example, on sugar, the Minister wants it to be charged up to the retail level and as you know sugar is a very important commodity in this country. Already, the sugar industry has suffered. So, I would suggest that it is better to pay VAT at factory prices on sugar rather than charge it as per retail prices. Already, the sugar industries have talked to me and they are saying that it is almost impossible because most of their customers are not willing to be passing on the VAT at the retail level. So, I would urge the Minister to exempt sugar from this kind of VAT up to the retail level so that VAT on sugar is chargeable at factory level. This is so that those sugar

traders should not be again charging VAT at different levels.

Mr. Temporary Deputy Chairman, Sir, there is one thing again that was said about the Kenya Post Office Savings Bank. The Minister is intending to delete Section 8 of Cap 493(B), which means that the Government will no longer guarantee those poor people who are putting their money in Postbank. I think it is dangerous for the Government to totally remove that protection which was being enjoyed by the low-income people. So, if you now remove that guarantee and yet Postbank is the bank which a lot of us are using, because the bank industry has put things very high, it is really going to be a problem for Kenyans who are using Postbank to save their money. I would request the Minister to retain Section 8 of the Postbank Act so that those who are working within the Post Office know that the supervision is there and must protect people who are saving in the Post Office Savings Bank.

Mr. Temporary Deputy Chairman, Sir, there is another thing which I would like to address. There are a lot of heavy penalties which have been introduced in this Bill in the Customs Tariff. The experience we have had is that the heavier the penalties, the bigger the bribes they take from those people. I would prefer if other forms of penalties were introduced, like a licence being withdrawn, or something which can make it difficult for somebody to commit a crime. This is because if you increase penalties from Kshs0.5 million to Kshs1 million, you will be unable to enforce that. The officers who work at the Customs and Excise Department will only ask for more kick backs because of the heavy penalties.

Mr. Temporary Deputy Chairman, Sir, the Ministry of Finance and Planning should work out penalties which have nothing to do with payment of money. For example, if a clearing and forwarding or shipping company, breaks the law, they could revoke their licence for some period of time. That is the proper way to penalise these people because, at the moment, we will just go round the same system and Kenyans will be asked to pay higher bribes for this kind of activity.

Mr. Temporary Deputy Chairman, Sir, we have many tonnes of rice lying at Mwea. The other day, I drove through Mwea and I was shocked to see many bags of rice lying there due to lack of customers. This is the case, and yet Kenya imports rice from Eastern countries. I would have thought that the Minister would have suspended importation of rice so that we can clear the stock which is lying in Mwea. That rice is worthy hundreds or millions of shillings.

(Applause)

Mr. Temporary Deputy Speaker, Sir, I would like to say that the farmers there are unable to sell this commodity. So, it is important that the Government, at least, suspends the importation of rice and sugar for the time being so that we can clear the stock that we have. Farmers are suffering because their rice is lying there. In fact, you can drive three kilometres and still see stocks of rice, and yet, if you go to Mombasa, you will find that every ship is off-loading rice from other countries. They should put in place some radical measures if they want to jump-start this economy. From the way the Minister for Finance is doing it, I think we will have the economy collapsing and we will not jump-start it.

I would like to point out that many goods are being imported into this country. There is no country which will allow this kind of thing to happen. The countries which tell us to liberalise our economy have stringent rules on importation, so that it is almost difficult--- For example, we cannot even export processed coffee to the United Kingdom. They do not allow this, and yet, we allow finished goods, which we can produce in this country to be imported.

I would like to inform this House that we allow even eggs and other products to be imported into this country. I do not know why the Government cannot understand that we have our own industries, and it is our duty to protect them because they create job opportunities. For example, 200 employees have just been laid off by the company which manufactures glass, and yet, Coca-Cola Company imports bottles for their products. We have a factory in this country which is now being closed down because we are importing bottles from other countries. So, 200 workers have lost their jobs, and yet, 200 people have got jobs in the country where we are importing those bottles from.

Unless we think hard and see how we can help our country, we will make our children suffer and make Kenya a supermarket. There is no country which can just open up and allow anything to go there. We would like to tell our Minister not to sign every international protocol they are given. The Minister for Finance and the Minister for Foreign Affairs and International Co-operation are always signing international protocols without even reading them to see how they will affect this country. If the Ministers really want to help Kenyans and our children get jobs and help this country, they should put in place radical changes in the economy. Thank you very much, Mr. Temporary Deputy Chairman, Sir.

Prof. Anyang'-Nyong'o: Thank you, Mr. Temporary Deputy Chairman, Sir. I would like to add my voice to the voices of my colleagues who have made very constructive contribution to this Motion. They have suggested very useful amendments.

Let me take off from what Mr. Kibaki was saying. First of all, the logic of including money that the Government expects from donors in the Budget is that they will borrow from the domestic market. This is because when that money does not come, you have to get it from somebody. So, what you do is begin selling Treasury Bills and Treasury Bonds or getting money from your domestic market. This is extremely dangerous because it immediately leads to high interest rates charged by banks, inflation, less borrowing by the people and less investment. So, the Government should cut its cloth according to the material it has. If it knows that it is Kenyans it will tax to raise revenue, let them focus on that, and not build castles in Spain by expecting some money from some donors, which they will not get, because that just worsens the situation. That is what makes this Government have very poor banking policy.

On page 733, they are now proposing to amend the Banking Act. Essentially, what this means is that the banking industry had complained about the high minimum core capital that banking and mortgage institutions plus non-banking institutions require to do business. Apparently, the Government thinks it has reduced the figure from Kshs200 million in 1999 and raised it to Kshs400 million in 2005 for bank and mortgage finance companies. For financial institutions, it has been increased from Kshs150 million to Kshs300 million.

*[The Temporary Deputy Chairman
(Mr. Musila) left the Chair]*

*[The Temporary Deputy Chairman
(Mr. Muturi) took the Chair]*

These figures do not make sense. Banks will only have this core capital if there is economic growth. If there is no economic growth, what is Kshs150 million today will be equivalent to Kshs150 million, or even less, in five years. So, this amendment should be pegged to the rate of economic growth. That is what makes sense. You increase core capital because you assume that the banking industry is doing good business. So, if it is doing good business, it can have more core-capital. If industries are closing down in Industrial Area--- If you went to Commercial Street, ten years ago, you would have seen Mercedes Benz, Rolls Royces and Pajeros of people doing business there parked. If you go there today, you will find shops closed down, and all those Pajeros and other limousines are gone because people are not doing business. Where will the banking industry get customers from if business is not there? Why do you require them to have higher core capital if there is no business to be done? The true spirit of liberalisation would be that you set a certain set of rules which people can obey in the banking industry and have them put in very minimum core capital. This is so because what you want is service.

We have always said in this House that Kenya should specialise in being a service economy; an economy that offers services to Eastern and Central Africa; an economy that offers service to COMESA; an economy that attracts people from all over Africa to come and establish banks here; an economy that attracts people to come here and put up hospitals, schools, cinemas, cyber cafes and so on. But when you undertake measures which discourage these people from coming here, you will not develop as a service economy.

The comparative advantage that Kenya has historically is that it has very good human resource, good trained doctors, tailors, shoemakers and lawyers. In Africa, Kenya has got very good human resource, which is not being used. Doctors are flying to South Africa and Botswana. The other day, I spent two weeks in Uganda and found out that the hotel industry, cafeteria and restaurants are being managed by Kenyans. This is because Uganda realised that there is good human resource here and it offered good employment to them, and they will build the Ugandan economy. But what we are doing here is penalising those people who want to invest and we call it a Budget. This is a Government that is busy taxing poverty and not creating wealth. When they tax poverty, what happened in Westlands the other day happens. Here are Kenyans who are trying to be industrious and you go at night, with bulldozers, wizards and witchdoctors and you crush their sheds. This is the worst form of governance ever known in Christendom and this Government is responsible for it. To add insult to injury, they bring here a Budget that a Form Two student at Alliance High School could write. This is something that is very serious and they should heed what the Opposition is saying. The point of taxation is that taxation should be undertaken for the following reasons:-

One, it is important to tax consumption because consumption is the result of having a wage or an income. If you tax consumption, you are taxing correctly. But, it is wrong to tax production and wages. If you tax wages too much, people will not consume. If they do not consume, industries will not produce goods. If industries do not produce goods, there will be no employment but poverty. This Government is specialising in taxing consumption; that is, wages and production. Taxation should be used as an inducement for investment and for people to consume more and not less. For them to consume more, they must put more money into their pockets. If that money that is heading for their pockets is taken to the Kenya Revenue Authority, they will not buy soda. They will not board a matatu to go to Kisii and buy some bananas and bring them back to Nairobi. That is the logic of

taxation. But this Government has got it wrong. Their very philosophy of taxation is wrong and I have told the Minister here several times but he is not willing to learn from this side. It is high time they learnt from this side and did the right thing. It is important to tax consumption and avoid taxing savings. If this Government did that, there would be more production, investments and jobs in this country.

Finally, Mr. Temporary Deputy Chairman, Sir, I want to say something about the rate of economic growth in this country and how to get that rate going so that we get some money and production to tax. First, we know that the biggest source of domestic savings, in this country, and we have said this over and over again, is pension funds. The biggest source of domestic savings in this country is credit and societies funds. When they were started, a lot of money by Harambee Sacco and others - I was in the University and we had another sacco there - was pumped into this sector. But because this Government discourages savings and it does not put a lot of money into managing these pension funds, all those things have dried up. Corruption has seeped into this sector, both in the private sector and the Government. The first centre of corruption is the National Social Security Fund (NSSF). This Government is always prepared to use it as a cashcow for financing all kinds of their crazy projects. The NSSF has never been able to direct its funds to productive investment. All its portfolio of investments, from 1992 to date, is a shameful script in the economic history of this country. A law was passed, with good intentions, in this House and we expected that the Retirement Benefits Authority (RBA) would come out with rules and regulations that would streamline the management of pension funds so that they can be used for domestic savings and investment in this country.

Mr. Temporary Deputy Chairman, Sir, Mr. Donde has just spoken here and said that people are being retrenched or dismissed. Mr. Anyona has even said that he does not know where the word "retrenchment" came from. It is not in the law books of this country but it is now the gospel according to the Government; being sung everyday when workers are thrown out into the streets. These workers are being thrown out into the streets without a proper pension scheme in this country. Any civilised society should have a pension scheme whereby, when you are working and you contribute money, you have an insurance to housing, education, healthcare and retirement. This Government thinks pension is just an insurance to retirement. Far from it! Any developing country which has taken over the last three decades has used imaginatively and productively its pension scheme and funds. One of the outstanding cases is Singapore. If this Government could care to send the Minister for Finance and his Assistant to Singapore for one week and they could care to learn; the important thing is to learn and not just to go there and shop, they would learn a lot of things. Learning is important and absorbing the learning is important too. There is nothing in learning if you cannot absorb and come back and reproduce productively. We need this Government to realize that the future of economic growth in this country is the proper management of pension funds and pension schemes so that they can go to capital formation, so that there can be productivity and employment in this country, so that you can have something to tax. But something like this is worth a turtle's egg.

Thank you.

Mr. Shidiye: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me an opportunity to contribute to this Motion. The proposals made by the Minister relating to Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes are very important. When the Minister for Finance presents his Budget, he deals with three slippery balls. First, the donor requirements. Secondly, the political expediency. Thirdly, the party needs; the political party, like KANU and others. We are really in shock, because the taxation system is not helping this country. When the Minister announced that he was going to add Kshs2 on a litre of fuel and that the increase would only affect the multinational companies, those people know where the buck stops. When you increase the price of fuel, it naturally means that the consumer will suffer. Multinational oil companies are taking us for a ride and they are not here to help Kenyans.

If you look at what has happened since we liberalised the oil industry, you can understand what I am talking about. Today, one litre of petrol is almost three times more than what it was. It was around Kshs20 and today, it is Kshs60 per litre. If you asked them how much profit they are making from this business, they would not tell you. We sat with them in the Energy, Communications and Public Works--- They are not willing to part with anything. This is a mafia cartel!

Mr. Temporary Deputy Chairman, Sir, when the price of crude oil in the international market goes down, it means that they should reduce the price of fuel, but they are not doing that. When the price is reduced, their pump price is increased. If you add Kshs2 on every litre of fuel, the multiplier effect on the economy is obvious. Matatu fares and farm inputs will increase. It will affect every sector of the economy in this country. Are we helping farmers, transporters or Kenyans? Those are the things that will not help jump-start the economy of this country. The Minister told us that he was passing the buck to those people and the multinationals are passing the buck to the consumers. Who is cheating who? The Minister must be genuine enough; he knows that these multinationals have increased their prices. When we pass that Bill here, we will amend or reduce that for Kenyans, if need be.

Mr. Temporary Deputy Chairman, Sir, we have been told that Kenya will be industrialized by the year 2020 and we are almost there. We had been told that Kenya was going to have clean piped water by the year 2000 but we are yet to get even the dirty water. These are songs that will never help the economy of this country. Let us be honest and tell our people that by the year 2020 this country will not be industrialised, and that, by the year 2010, we will not have clean water. That is the truth and the way to help this country. We should give Kenyans only genuine hope, which can carry the day.

Mr. Temporary Deputy Chairman, Sir, there is a shortcut to development. We have seen Singapore, Costa Rica, Japan, among other countries, take shortcuts to develop themselves. If, for instance, we had a free port environment at Mombasa Harbour, and if we had entered into the global village by interneting and provided services that would lead to the development of this country, we would have taken a shortcut to development.

This country need not industrialise itself to be regarded as one of the first world countries. Costa Rica does not have any industries, but it is developed. So, if the Minister is serious, a think-tank of the country's best brains should be established at the Treasury so that we can model our economy. We will then ask ourselves what our needs and priorities are. For a long time, this country's priorities have been violated completely. When you send a Fisheries Officer to Wajir District, you will have totally missed your priority.

There is a shortcut that we can take towards economic growth, which is more important than anything else. We have a problem in this country. For instance, if we had dual citizenship, Kenyans could travel abroad and get well-paying jobs in the United Kingdom (UK), the United States of America (USA) and the Middle East, among other countries. But Kenyans have been denied dual citizenship. In the new political dispensation, Kenyans should have dual citizenship. A country like the Philippines sends all its manpower abroad; people go back to that country only for holidays. That country's Government has allowed its people to obtain citizenship anywhere in the world, and when they go back, they remain citizens of the Philippines. We should ape the example of the Philippines. Our people should be allowed to take citizenship anywhere in the world and accept them back whenever they come home; only the domicile of the country in which one is staying at any one time, should change.

Mr. Temporary Deputy Chairman, Sir, we want to get focused and shop around the world for jobs for Kenyans. How many Kenyans are retrenched everyday? In the name of retrenchment, workers are being sent away from factories; the Export Processing Zones (EPZs), and all other factories, are collapsing. A few minutes ago, I was in the Industrial Area. I have seen what is happening. Unfortunately, in the name of retrenchment, people are being sacked. We would like the Government to cease retrenching its workers. When the economy ceases to do well, the Government is supposed to employ more people. The trend should be reversed so that, in its wisdom, the Government can employ more people when the economy performs poorly.

In times of economic hardships, the private sector sacks many workers. When workers in the private sector are sacked, naturally, the Government should avail more money to Kenyans. When Kenyans become jobless, with nothing to eat, the Government should be the employer of the last resort. So, since employment in the private sector has shrunk, the Government should act as a shock absorber and take Kenyan workers on board. Why should the Government retrench some of its workers at a time when the private sector is as dead as a dodo? The private sector is not growing because no more investment is taking place. How can Kenyans save money for investment? Kenyans no longer save any money. It is difficult for someone who earns Kshs10,000 to save some money. Most civil servants are underpaid.

Mr. Temporary Deputy Chairman, Sir, we must applaud the Minister for reviewing the house allowances for civil servants for the first time in many years. That is an important step in addressing the plight of civil servants. However, that is not good enough. If you pay a policeman peanuts, his performance will be zero. You should not expect somebody earning a paltry Kshs5,000 per month to perform. Paying a policeman Kshs5,000 per month is cheating him. In turn, he will cheat Kenyans and the Government. At the end of the day, the Kenyan people suffer; they are forced to give the police *kitu kidogo* wherever they go.

The underpaid policeman has to survive. He has a family to provide for; neither himself nor his family has a health insurance cover; he has to pay school fees for his children. Is the Kshs5,000 salary that is paid to him enough to cover all those expenses? How is he supposed to budget for it? It is very difficult to do so. Only geniuses can survive in the Police Force. The salary paid to any Government worker must be commensurate to his performance. If the Government is underpaying police officers due to lack of sufficient funds, it should rather have a lean Police Force that is well-equipped, so that it can provide security. Kenyans are facing the tyranny of poverty. That tyranny will not end unless the economy is turned around.

With those remarks, I support.

Mr. Nderitu: Thank you very much, Mr. Temporary Deputy Chairman, Sir, for giving me a chance to contribute to this Motion.

Mr. Temporary Deputy Chairman, Sir, I do not support this year's Budget because, firstly, it has been drawn to benefit a few people rather than benefit all Kenyans. Secondly, during its preparation, the people it is

supposed to serve were not consulted. Thirdly, the governors, who are supposed to oversee its implementation, do not have the strength and the will power to do so. That is why, when the Minister raised by Kshs2 the fuel levy fees chargeable on petrol, even *mkokoteni* pushers increased the cost of their service by that margin. That increase has now been passed over to even consumers of diesel and kerosene. Consequently, commuter fares have been adjusted upwards.

We should not have had a Budget like this one at a time when Kenyans are poor. I would propose the reduction of Value Added Tax (VAT) to 5 per cent and the increase of salary by 13 per cent to everybody working in industry. Why does the Government want to have the money while the people working for it go home without even bus fare?. Really, why should we pump a lot of money to the Treasury and leave the person who labours day in, day out, to walk all the way from the Industrial Area to Korogocho and live in a house without electricity?

I do not see why we should continue charging Excise Duty on sugar. That is why I am saying that the Minister, and the officers who assisted him to draw the Budget, should have gone to Mumias to hear the views of sugar-cane farmers, who would have told them: "Some sugar is being imported cheaply from elsewhere. So, if you charge Excise Duty on our sugar, it will become more expensive and less competitive." That way, sugar-cane farmers would have felt that they participated in the preparation of the Budget.

Mr. Temporary Deputy Chairman, Sir, if you broadly look at this Budget and the problems that it attempts to address, you will realise that this Government will not change at all. They will not hear whatever we tell them. That is why I said I do not support this Budget. It does not matter what we say in this House because this Government will not listen to us. Although the Ministry's representatives are here, I think the Minister himself should have come here to listen to our contributions. I do not think even this Budget was read to the Cabinet itself. Whose secret is it? Is it a Budget for Kenyans or is it a Budget for somebody else?

Mr. Temporary Deputy Chairman, Sir, the Minister says that he will give a tax reduction because of the poor state of our roads. Who is in charge of our roads? It is a shame for the Minister to give a reduction of tax simply because our roads are bad. As a result, you want people with industries and manufacturing firms to pay less taxes so that they remain in business. Instead of this Government reducing taxes due to the poor state of our roads, they should improve our roads so that those people will pay more taxes so that we maintain our infrastructure.

Mr. Temporary Deputy Chairman, Sir, it is a sad affair that this Government is supporting the retrenchment programme in this country. Where are we heading to? We will have very many people without employment. At the end of the day, there will be a civil war in this country just because this Government does not do its Budget well. It does not look where we are going. This is because tea, sugar-cane, coffee and rice farmers, among others, will say enough is enough. I hope now that the Government has appointed Mr. Raila to the Cabinet, he will prevail upon the Government to waive Excise Duty on sugar so that sugar-cane farmers in Kisumu and other areas will at least benefit from this appointment.

Mr. Temporary Deputy Chairman, Sir, a number of hon. Members talked about Presumptive Tax. I remember last year the Minister for Finance told this House that this tax will be waived. However, it is still with us. How long will it take this Government to realise that Presumptive Tax is hurting our people? Who should waive it? If it is a question of the President doing so, why does he not come here and do it so that tomorrow we will do something else? Where is the problem? This is because our economy is not growing at all.

This morning I went to Kabete Police Station. It is a pity that our police officers do not even have paper to write on. This is a police station where, when you want an abstract, you are told to wait because you understand their plight. It is horrible! They even do not have vehicles. The only vehicle they had was from Kikuyu Police Station. Where does all the money we approve for the Office of the President go to? The other day, I stood and asked whether the Office of the President requires all this money. This is because, at the end of this financial year, there will be nothing to show on the ground and yet, the money will have been spent. Why could we not give all that money to farmers? I believe it is time we established constituency treasuries. We should sit down and decide how much money each constituency will get. Every year we give this Government Kshs220 billion, but at the end of the day, there is nothing to show for it. What happens? Managers of the affairs of this country do not do their job properly. Besides that, our taxation should not be pegged on what the World Bank and IMF want. This is because funds given by the IMF and the World Bank do not reach the wananchi at grassroots level. It all ends up in the DC's office. That is why you see our police officers trotting and walking bare foot. How do you expect them to go after a carjacker who has run away in a Nissan Patrol? There is no way they can arrest such people. The other day I was carjacked. I went to a police station and they told me that they did not have a vehicle to pursue those car-jackers. I told them to forget about it because they could not follow it. They asked me what they could do because they did not even have a vehicle. It is horrible! Where does all this money go? Kenyans should wake up. The Ministers come from their constituencies which they represent in this House. They all live in Kenya and do not live in their own world. I urge them not to support this Budget because it is from the Government. But they should support it, rationally. Most hon.

Ministers know how our people are suffering in our constituencies. Why should they support a Motion which will not assist Kenyans? Kenyans should not be led by party whims, but by reason. We should ask ourselves what our people are doing in those constituencies. Are they suffering? It is a shame to see Government Ministers lamenting that VAT is high. If I were to move an amendment or an adjournment to this Motion until Kenya is stable, you will see how many Ministers will come here to vote against it and urge us to carry on. We are carrying on to a deathbed. If we continue like this, in the next five years, we shall all be in doldrums.

Mr. Temporary Deputy Chairman, Sir, I have nothing to say about this Motion because it is all bullshit. I do not support this Budget.

The Minister for Mineral Exploration (Mr. Kalweo): Mr. Temporary Deputy Chairman, Sir, I rise to support the Motion. It pains me to see most Kenyans and leaders pretending to be westernised. They forget the fact that they are Africans and they will remain so, forever and ever! Our way of thinking is not similar to that of Britons, Americans or Russians. I do not believe that, in the near future, there will be a government which will have a lot of money to give to wananchi and small farmers, as suggested by hon. Members.

Mr. Temporary Deputy Chairman, Sir, in some parts of Meru where I come from, we started growing coffee in 1949. I planted my coffee in 1951. In those days we were using natural manure. Farmers used to keep livestock to provide them with manure. However, in the 1970s, this trend changed with the introduction of fertilisers from the western countries. Experts came from Europe and set up the Co-operative Bank, the Co-operative College, the KPCU and credit schemes called CPS. With the introduction of fertiliser, farmers went haywire and forgot about natural manure. They opted to use fertilizer although they did not know how to apply it.

That is what messed up everything in the coffee industry. We should not blame the Government for the poor yields of coffee in this country. Which Government grows coffee? We can formulate good policies here, but they will not help us individually unless we work hard. For example, if you are an hon. Member, do the right things in this House or in your constituency. If you are a businessman, make sure that you pay taxes as required by law.

Mr. Temporary Deputy Chairman, Sir, the suit I am wearing today was tailored in River Road. When people ask me where I bought it, I tell them that I bought in River Road in order to improve our economy. People talk of imported goods. If we were to behave and do things in the right way, we could stop buying imported goods. That is the best we can do about those imported goods. Why do we not ignore buying those imported goods? We should stop buying imported fruits and vegetables, for instance, from South Africa and instead buy those coming from Machakos. That is how we can save our economy.

Mr. Temporary Deputy Chairman, Sir, in 1963/64, or thereabouts, we wanted to get rid of Indians from Maua Town. We refused to buy goods from their shops and they simply moved away and they are not there today. So, if we stop buying imported goods, nobody will bring them into this country. That is the best way to compete against them because the economy has been liberalised internationally. Therefore, you cannot sit here and say "no we are not bringing in more goods". Let them bring the goods, but do not buy them. It is as simple as that. They will return their goods back to their countries. That is the best way to protect our economy. Therefore, everybody should wake up and start working hard. Although we talk about farmers, how many people have big farms here? Nowadays we call plots small farms and we do not work on them. People say that the Government should give people money. Which country gives people money free of charge for farming? They are given loans which they repay later.

Mr. Temporary Deputy Chairman, Sir, the other thing which I would like to talk about is honesty of individuals, be they farmers, businessmen, leaders or whoever. Dishonesty does not help. For instance, the police officers are not allowed by the Government to take "*kitu kidogo*". So, it is an individual who misbehaves, but not the Government. For example, we must bear in mind that the tax collector is corrupt when we are discussing this Motion.

Mr. Temporary Deputy Chairman, Sir, Christians have spoiled the gospel in this country. But does it feature in our minds that we should not be corrupt or become thieves? Those who steal do not do so because of poverty. A thief is always a thief whether he is rich or not. You cannot be a thief because you are not employed. No! I do not believe in that. So, the actual thing is that we are in a mess economically. Kenya is not the first country to be in that situation. This has happened to many countries. So, the only way out is to sit down and reason together.

Recently, we had the Medium Term Expenditure Framework (MTEF) meeting at the Kenya School of Monetary Studies in Ruaraka organised by the Ministry of Finance and Planning. Many individuals and representatives from all sectors of the economy were invited to discuss the Budget. We did discuss the Budget and, indeed, there were representatives from the business community and other groups. Every officer working in the Ministry of Finance and Planning and in other Ministries should know that the Government is the custodian of public property. Ministries should not underrate the economists who work in those Ministries. However, when we come into this House, we start talking of theories as if we are at the university. Fine. But theories are different from practical things. So, I believe that, if we were to change our attitude, coffee farmers can go back to their

shambas and start using animal manure or composite manure and we will produce the best coffee in the world.

Those people who buy tea from Kenya are now coming directly to the factories and to small centres where we deliver our tea so that they can see the type of fertilizers or manure we use or whether we are weeding our farms. They want to establish the hygienic conditions we observe when handling our tea. That is why we have problems with pests. I do not want to mention people's names, but some people carry pests in their bodies. Do you think a whiteman can buy products from such people? So, we have to change our behaviour a lot. We are not westernised; we are Africans.

Sometimes we talk of people living in certain places. Why are people living in towns? If one has been staying in Nairobi for five years without employment, why should he not go back home where he came from? Those people who live in urban areas without employment should go back to the rural areas and start doing some activity there. If you drive from Nairobi to Western Kenya, you will see bushy places and idle farms. That is rubbish! We should behave and stop blaming one another. Let us change our attitudes and we will improve our economy. I strongly believe we will make it.

Mr. Temporary Deputy Chairman, Sir, let us take an example of the sugar industry now that we are in the COMESA region. You cannot stop traders from bringing their sugar into Kenya because Kenya is a member of the COMESA. If you calculate, you will find that the cost of producing a kilo of sugar is about US\$0.25-50 in those other countries, while in Kenya it costs Kshs14. So, there is no way you can compete with those countries because of the cost of production.

With those remarks, I support the Motion.

Mr. Munyasia: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to make a few comments on this Motion. We have not been told by the Minister how efficient the KRA has been in the past year, in the collection of taxes. This is because I am quite sure that if our Customs Department and KRA were very efficient, they would have collected so much of the tax, that it might not have been necessary to increase the taxes, especially the objectionable ones that hon. Member after hon. Member have mentioned.

I suspect that the main reason why there is so much tax evasion by those who should pay is because of the salary differentials in the KRA Department, where you find senior officers are earning over Kshs200,000 a month, but those who do the actual collection; the small man or woman who goes inspecting the books, is earning a paltry Kshs15,000 a month. So, an Asian businessman would ask such an officer this question: "What are you going to gain if you become too hard on me?" If he or she was supposed to pay Kshs300 million at the beginning, and he or she gives that officer Kshs500,000 which he or she would never have made in a year from his or her salary; do you expect that he or she would not take it and write off a number of the things that he or she would have penalised the Asian businessman or any other businessman for? So, if the Minister wants to improve efficiency and curb corruption, he must narrow the wage differentials between the senior officers and those who collect taxes.

We have been told, and every hon. Member has mentioned it, that the increase of Kshs2 on every litre of petrol was to be borne only by the oil companies. Of course, you have seen - in fact, a day after - that the Minister had no control. He could not restrict that tax to the oil companies. Now, every one is suffering from that particular increase, and we are told that it is not a very big percentage because, for the past two years, they had not increased duty on fuel. I do not know why the Minister does not go for those areas where taxes will not be passed over to too many other people.

We have suggested here before that smoking is a bad habit; we have talked about the ill effects of smoking. It used to happen here in this House, where a Minister for Finance would say: "In order to help curb smoking, I have increased duty on cigarettes with effect from midnight tonight." If you increased duty on a packet of cigarettes even by Kshs10, I know that it would not stop a smoker from smoking. He will pay it, but you know that we can collect a lot of taxes. If you increased Excise Duty on beer--- Nowadays, bar owners hardly hoard beer before the Budget Day. That used to be the practice. Everyone expected that he or she was going to be taxed.

Because we want to discourage drinking, or being a nation of drunkards, we want to discourage the habit. In Tanzania and Uganda, they are taxing those people but here, we leave them to go scot-free. I do not know whether it is because Ministers for Finance are also--- I do not want to say that they are drunkards, but I think that they consume quite a bit of alcohol. If they want to discourage that habit, I would have expected that they would say that, "with effect from midnight tonight, every bottle of beer will go up by Kshs20." They do it in those big hotels, where we are now buying a bottle of Tusker at Kshs120, while it costs Kshs55 elsewhere. It has never stopped us from going to those hotels to drink. So, why not tax this one? Is this because you cannot pass over that tax to anyone else? It will be you---

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): On a point of order, Mr. Temporary Deputy Chairman, Sir. Is it in order---

Mr. Munyasia: On a point of order, Mr. Temporary Deputy Chairman, Sir. Did you see the hon. Member "pocketing" even as he was addressing you?

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): I am not,

Mr. Temporary Deputy Chairman, Sir. Is it in order for the hon. Member, who is a revered former teacher, to try to deny those who are earning little salary the enjoyment of beer? He wants beer to be consumed by the richest people in this world!

Mr. Munyasia: Mr. Temporary Deputy Chairman, Sir, I was even going to go further; that the Minister forgot one other area where he could easily have collected tax from. He should have said that since traditional liquor is allowed; governed by the Traditional Liquor Act, on every *gorogoro* of *busaa*, three shillings---

(Laughter)

An hon. Member: *Gorogoro!*

Mr. Munyasia: Mr. Temporary Deputy Chairman, Sir; *gorogoro* is a certain measure--- So, if he had done that, I am sure he would have collected a few billion shillings. Then, again, because you cannot pass it over to anybody else---

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): On a point of order, Mr. Temporary Deputy Chairman, Sir. Why should we allow an hon. Member to mislead this House? Taxation should not be on the poor; it should be on the betteroff, and *busaa* is consumed by the people who are not considered rich. Why should the Government tax the poor? It is such policies that we are fighting against.

The Temporary Deputy Chairman (Mr. Muturi): Order! That is an argument. It is not a point of order.

Mr. Munyasia: Mr. Temporary Deputy Chairman, Sir, the Assistant Minister is arguing with me, but I was talking about discouraging bad habits. We are saying that we should not be a nation of drunkards and that we should be taxing, not only the beers and spirits, but even the *busaa*, and a lot of money would have been collected from there.

The Minister talked of imposing the VAT on commercial buildings. I can already foresee what is likely to happen. If you increase the VAT on commercial buildings, quite a good number of businessmen will go for residential buildings because those ones are not taxed. Then, they would turn them into commercial buildings, but since they are classified as residential, the tax collectors would find it hard to go over to them. But even if that were not to happen, the spill-over effect is still there; that if the rents on commercial buildings are going to be higher, the rents on residential buildings will also automatically have to go up. That is what happens in real life, and I am wondering why the Minister does not see that.

The Minister also talked about removing duty from foodstuffs, like meat, milk and maize, especially those that we grow here, and I am in full agreement. We have suffered a lot. This country has suffered from famine every now and then. Our brothers in Turkana have never had rain for - I do not know how many years. I have been there, and I know the conditions under which they live. Refugees living in Kakuma and other camps are suffering. If they allowed us, especially those of us who live around the border, to get the duty-free maize from Uganda, or Tanzania, we would also make a few shillings. We would take the maize to our brothers who are suffering from famine, without having to raise the price of maize too high.

At the moment, they are charging Kshs247 on a bag of maize that we get across to Lwakhakha. The buying price of such a bag of maize is Kshs600, and it will compel the buyer, if he or she is taking it to Turkana, to sell it at a very high price, without giving them the benefit of having cheap maize.

Mr. Temporary Deputy Chairman, Sir, with those few words, I support the Motion.

Mr. Mwakiringo: Thank you, Mr. Temporary Deputy Chairman, Sir. It is high time this Government changed its attitude towards its Budget proposals. Very sweet words are always used when presenting the Budget. We are very good at polishing our speeches not only here locally, but even internationally. The problem starts when it comes to implementation on the ground. The Government has failed to protect its farmers. It has failed to honour its promise not to tax the low wage earners. On Customs Duty, the Budget proposal says that duty on locally available agricultural produce will be increased to 35 per cent. The taxation on agricultural produce being imported, but available locally, should be more than 100 per cent so that we do not allow the importation of these products in order to protect our farmers.

I am on record as having said that this chain of hotels from South Africa called Nandos and Steers import milk, eggs, chicken and even sugar from South Africa as if we do not have those products here locally. Why should that happen? Duty on these products should be 100 per cent or more. I would also want to concur with the Minister for Mineral Exploration when he said that, as Kenyans we must change our attitude of perceiving imported goods to be the best. We should say "no" to the purchase of imported products, be they clothes or agricultural produce. We should not buy them so that they do not come into this country.

Let us not tax people who are earning meagre salaries. We will not reduce poverty by taxing the low wage earners. There will be no cash flow in this country. That is why I said in my contribution to the Budget Speech that, if we have to reduce poverty, let us have staggered salary payment days so that there is cash in this country. There will be a daily cashflow because people will be paid on different dates. That will stabilise the economy. If we

wait for 30 days so as to pay the salary of a Government driver who earns Kshs3,000 and a police officer who earns Kshs3,600, you are starving that man and his family. Let us stagger the salary payments for this country.

The assumption that the Kshs2 duty per litre on petrol that has been introduced will be borne by multinationals is a wrong one because, at the end of the day, the multinationals will still pass on the Kshs2 to the final consumer who is the common mwananchi. It will be passed on to the final consumer when he is purchasing petrol. Therefore, the public transport fares will go up. The spare part dealers will also increase the prices of their goods since the price of petrol has gone up. We are killing the common mwananchi. The Government must consider the common mwananchi when it is making Budget proposals.

We have had mismanagement of funds in our parastatals. The National Hospital Insurance Fund (NHIF) funds should not be used to purchase land, buildings and other things from the politically-correct boys. Now that we have these funds in excess, they should be used to complement Government efforts in purchasing medicines for provincial and district hospitals other than being used to purchase plots which are useless at the end of the day. We are very serious about this because the NHIF has got a lot of money, but it is only being mismanaged. Let those funds be used in the purchase of medicines for our provincial and district hospitals.

You will find that an investor who has put up a commercial building is taxed 18 per cent for the materials he bought when putting up the building. The tenants who rent that commercial building will also be taxed 18 per cent VAT. Why do you subject commercial buildings to VAT? Here is a case where the investor is being taxed for the loan he took from the bank and you also want to tax him on the commercial building he is putting up. You are burdening the investors of this country. You had better remove the taxation on commercial buildings because most of these investors are meeting the interest on loans which they got from banks to put up the buildings.

The Kenya Revenue Authority (KRA) is doing a good job. I support that it should do the collection of funds. Let it not be instructed by the powers that be, to allow the Catering and Training Levy (CTL) to collect these funds. The CTL, which is the former Catering Levy Trustees (CLT), was a conduit of swindling money from parastatals. Our books indicate that the CLT lost Kshs600 million which the former chief executive deposited in Thabiti Finance without the authority of the Board. There is no way we can trust the CLT with our money any more. Let the KRA collect the funds and those who are working in the CTL be retrenched like any other Government officers, because they are from one community. A few of them should remain for the disbursement of the funds. Since there will be enhancement of funds collection, we want the funds to go to Utalii College for the training of the people who will work in the tourism industry.

With the enhanced collection of funds, we would like a situation where the funds used by the Utalii College are also used to put up a college in Coast Province, which is the hub of tourism, because they already have a plot there. The former CLT never used to fund the Utalii College on time or with enough funds due to its mismanagement of funds and corruption. I know that there is a move by some Members of Parliament to see to it that the collection of the CTL funds is retained by the CLT. We will strongly object to that because we want to see to it that the KRA collects the funds for and on behalf of the CTL.

When you befriend a killer, you end up being a killer. I am not opposed to the KANU/NDP partnership, but when you cohabit with somebody who gives you divergent views, then you are making a fool of yourself. The KANU Government has killed industries and a lot of things, and now it wants to kill even the NDP. Why should it do that? I am not opposed to that, but just imagine what would happen---

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

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): Thank you, Mr. Temporary Deputy Chairman, Sir. May I begin my contribution by commenting on the sentiments made by Mr. Mwakiringo, who is a good friend of mine. I want to thank Mr. Mwakiringo for being the "Public Relations Agent" for the National Development Party (NDP), but on this occasion, with all his virtues, he did not get his facts right. The NDP involvement in the present Government is to ensure that there is peace and unity in this country. I can assure you that some hon. Members are out of this House discussing peace. Mr. Mwakiringo is welcome to assist us with ideas or concepts of peace or, to join those hon. Members who are discussing peace outside this House.

Mr. Gatabaki: On a point of order, Mr. Temporary Deputy Chairman, Sir. I am sorry to interrupt my distinguished friend because he is very articulate and to the point. When he was on this side, he used to contribute with the kind of sanity this nation has never known. Is it in order for my distinguished best friend, to mislead this House by saying that the merger between KANU and the NDP is to enhance peace when we know that the NDP is the most war-like party ever conceived in this country?

Mr. Mwakiringo: On a point of information, Mr. Temporary Deputy Chairman, Sir. I just want to inform my good friend, Mr. Odoyo, that each party's manifesto allows for peace enhancement. None of the parties' manifestos talks about causing unrest in this country. So, each party's manifesto is geared towards peace. So, the question of NDP merging with KANU to enhance peace in this country does not arise. You are here to give divergent views.

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): Mr. Temporary Deputy Chairman, Sir, before I respond to Mr. Gatabaki's point of order, let me inform my colleague---

Mr. Munyasia: On a point of order, Mr. Temporary Deputy Chairman, Sir. The two hon. Members are addressing each other instead of addressing the Chair. They are out of order! Should they not be asked to address the Chair rather than address each other?

The Temporary Deputy Chairman (Mr. Muturi): They are accordingly advised!

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): Mr. Temporary Deputy Chairman, Sir, when I talk about peace and unity, it is not a secret that the NDP, the Social Democratic Party (SDP) and other parties are meeting. That is unity and unity is one step to peace. If the action taken by the NDP to join the Government has resulted in unity--- Therefore, we are truly moving towards peace.

In response to Mr. Githunguri's point of order, I would like to put the position right, that it is not right for our---

Mr. Omingo: On a point of order, Mr. Temporary Deputy Chairman, Sir. Is it in order for the hon. Member to address a strange person in the name of "Mr. Githunguri"? Could we know who he is referring to?

The Temporary Deputy Chairman (Mr. Muturi): There has been so much of that exchange. Let us now address ourselves to the proposals relating to the Customs Tariff, Excise Duty, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes.

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Odoyo): Thank you, Mr. Temporary Deputy Chairman, Sir, for saving me from the attacks by the hon. Member for Githunguri Constituency, who is a good friend of mine.

The Structural Adjustments Programmes (SAPs) that were introduced in our country a few years ago were intended to change the management of the economy from a quota system to a tariff system. That is to say that we should impose taxes and reduce them as a way of managing the exchange of commodities along our borders and rejuvenate the economy.

Mr. Temporary Deputy Chairman, Sir, may I request that I be added a little extra time because my colleagues wasted my time on points of order that were totally unnecessary.

I beg to observe that during the last Budget Speech, the Minister for Finance clearly showed a commitment to reducing tariffs for the manufacturing sector. As you know, the productive sector in this country is experiencing difficulties, both in agriculture and also in manufacturing. Therefore, all taxes that were reduced on the raw materials for the manufacturing sector is a big plus for this country. In this regard, I wish to urge my fellow Members of Parliament to ask manufacturers and farmers to take full advantage of the reduced tariffs.

There have been requests here that tariffs should be increased to 100 per cent on the agricultural commodities. I beg to inform my fellow Members of Parliament that Kenya is also subject to the World Trade Organisation (WTO) agreements, whose sole purpose is to reduce the protective regimes of various countries. In this regard, the increment of any tariff on any produce in the world at the moment is subject to further ratification and query by the WTO. That is not to say that we should not protect our industries, but it is to say that increasingly the Government of Kenya should continue to search for ways and means of protecting the farmer, that is not purely based on tariffs. This is because high tariffs are subject to further intervention by the WTO.

The Income Tax should be on the higher income. On the latest housing allowance by the Government of Kenya, if one were to look at it closely, he would identify that the low income earning officers have been hardest hit. Those civil servants who are earning the least are the ones who will suffer the most. If you give a civil servant a house allowance of Kshs3,000, where in this City can you get a house worth Kshs3,000, unless it is only a room? If it is a room, it is not accessible and has many other difficulties. Part of the benefit of working in the Public Service is that, though one may be earning a low salary, he enjoys other compensating assets. One of these compensating assets is supposed to be housing, telephone, transport or ability to network with counterparts in others parts of the country. So, if we start to expose our civil servants to the housing market rates, then the question that comes to mind is: "Why are their salaries not matched to the market rates?" This is an issue that we have to resolve. I will be petitioning my fellow Minister that, that aspect should be properly scrutinised with a view to assisting the low income civil servants. It is difficult for the proposed housing policy measures to work by next year.

The same thing applies to the Police Force. There are some linkages between corruption and salaries. If you give someone a low salary and power, obviously, he will resort to corruption because he has to compensate for the low salary. So, efforts already made by the Government to review the civil servants' salaries are commendable. I know that our Government is committed to doing something about the civil servants' salaries.

With those few remarks, I beg to support.

Mr. Omingo: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to the taxation measures. But before I do that, I would like to make some observations. One of them is that this country has the highest tax rates, and the citizens are heavily taxed. I am saying that through

experience because I worked in the taxation sector before I joined Parliament. So, what I am saying is through experience. Why do I say that? Take, for example, a company that is manufacturing today. It is expected to pay Training Levy, Local Authority Service Charge, Pay-As-You-Earn (PAYE), Corporate Tax, Value Added Tax (VAT), Excise Duty, rates, land rent and so on. The list is endless! That discourages even the investors themselves, let alone the amount of time it takes to pick each of those licences. One licence is issued at County Hall, the other one at the Attorney-General's Chambers, another one at the Income Tax Building and the other ones are given elsewhere. That scenario is very unfortunate, and it is an issue that we need to address.

Mr. Temporary Deputy Chairman, Sir, let me go straight to the issues in the Budget. In terms of tax proposals, the Minister's Budget was what I could easily call a public relations exercise or a campaign Budget. That is because, basically, some of the issues raised in the Budget have already collapsed. In one of the paragraphs, the Minister said that he intends to increase Excise Duty on oil companies by 2 per cent, and hoped that, that increase would not be passed on to the consumers. But on the following day, fuel prices were increased by Kshs2 by the oil companies! That same translation was what the Minister had tried to curb. That, in itself, tells you how unfortunate the situation was.

Mr. Temporary Deputy Chairman, Sir, the policy on taxation is really to balance or distribute wealth. The people in the Opposition, if they would tell you, the object of tax payment is not necessarily to distribute wealth, but to concentrate wealth in politically-correct areas! That was why the residents of Karen and Lang'ata revolted and refused to pay rates because they were not given any services. They dug deeper into their pockets to pay what the Government was supposed to pay. For instance, take the example of the roads in Kisii District. You drive on a beautiful road from Kericho, but the moment you reach the Kisii border, the road collapses as if the Kisii people do not pay any taxes! That is why I would like to justify the fact that only politically-correct areas have roads---

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): On a point of order, Mr. Temporary Deputy Chairman, Sir. Is it in order for the hon. Member to mislead this House? I come from Kericho and the road he is referring to has potholes from Naivasha to - I do not know where!

Mr. Omingo: Mr. Temporary Deputy Chairman, Sir, I strictly referred to the road between Kericho and Sotik. That tells you that, it is a slimmer concentration of wealth. The second example is the Kisumu-Kisii Road. It was not until the "co-operation" started, that the road was extended to Kisii Town. Otherwise, it had collapsed at the Kisii-Kisumu boundary. That is an element of voter-buying, and my friends are happy about the same thing! So, we are saying that essentially, taxation is supposed to balance or distribute wealth. The Budget failed to do that because some areas are either not politically-correct, or some people are not the blue-eyed boys of the system. As I said a while ago in my contribution, some roads in agricultural areas are impassable. Tea leaves are rotting in the buying centres when in some politically-correct areas, only donkeys and cows sleep on the roads. There are no people who drive on those roads!

Mr. Temporary Deputy Chairman, Sir, I would like to address a few issues that the Minister talked about. In his Speech, he said and I quote:-

"I intend to exempt the consumers of 200 units of electricity from VAT."

The same Government, mischievous as it may be, through the Kenya Power and Lighting Company (KPLC), is now issuing a single meter for commercial buildings. Therefore, what it means is that there will be no exemption of any consumer who stays several units above the ground, because that single meter will not translate to more than 200 units. That tells you that there were no consultations. If there were consultations, then there was no co-ordination.

When we talk about allowing people to present their views to the VAT Department in case of assessments that are not properly done, the Minister allowed the taxpayers to lodge their objections which would be heard "as and when the time comes." If one intends to appeal, he is supposed to pay tax that is not in dispute. I am talking about that because, just before I left the Kenya Revenue Authority (KRA), there was mushrooming of cases in courts. The people were delaying the payment of duties and taxes, simply because they got an avenue, under the protection of their rights under the Constitution; that they must be heard. I encourage that kind of move and I believe it will ease the collection of taxes. The only thing that we must address there is the involvement of courts in tax matters. You find a judge interpreting--- I am not in contempt of court in this case, but you would find a judge or a magistrate interpreting the VAT law that is technical in some sense. We are saying that if we require to have the VAT, Income Tax and the Customs Act being administered properly, unless there is a confusion of law and facts, that is only when we should go to court. I think there should be a proviso to protect the tax collecting agents.

Mr. Temporary Deputy Chairman, Sir, in line with the seriousness of the Budget, it gives me a lot of dissatisfaction--- I think the Minister who is now running the Treasury is a competent person in that regard. When you place controls in systems, you mean to either correct or improve the quality of service delivery. With regard to the Local Authority Transfer Fund (LATF), Tabaka Town Council today--- I think I can prove that

because I was at home yesterday. It has not produced its accounts because the Clerk to the Council has refused to produce a bank statement. Some of the officers in the local authorities are so indispensable that one wonders where they were appointed from! What are we saying? Those funds that were meant for the Town Council have either been plundered or have been---

An hon. Member: No! No!

Mr. Omingo: Mr. Temporary Deputy Chairman, Sir, I need protection from the Chair! Those funds have either been plundered, or have been siphoned to other deliveries which were earmarked for the same. If you want to encourage tax collectors to collect revenue, please pay them well. One hon. Member mentioned the issue of different payrolls. It is true that they exist. I know there are efforts to harmonise them, but I would like to encourage the Treasury to speed up the issue of reconciling several payrolls that exist in the system, so that people could be more motivated. It does not make sense to find a father sitting on the high table enjoying a nice meal, and the children down there are eating from the floor. It is a shame! Those children are the ones who are sent to fetch water and cook the same dish! We are not saying that they should get the same amount of pay, but they should get pay which is similarly spiced. They should get the same share from the same pot. I believe in that regard, the Minister has taken note. I know that there are difficulties, but I am encouraging them to speed up the exercise of harmonising the salaries.

Mr. Temporary Deputy Chairman, Sir, the KRA has been given additional responsibility. I am asking the Minister to enhance the remuneration, commensurate to the additional responsibility that the KRA has been given, in terms of collecting all the other taxes.

On the issue of commercial banks, the Minister gave a ceiling of Kshs500 million for banks to sustain their operations as a capital base and he had a very good reason. If you remember the case of Trust Bank, billions of shillings were lost because of negligence. It is not that the Treasury or the Central Bank did not know but it was a deliberate omission. Now that the Minister has lowered the capital base to Kshs300 million, and so he will expect some serious small bankers coming in. As a result, you will find more banks collapsing and there will be misery to the Kenyan public. The intention of this Kshs500 million was purposely to administer and protect the investments or the bankers. However, the Minister has now reduced the rates and one wonders how far we will go.

Mr. Temporary Deputy Speaker, Sir, on the issue of penalties on VAT, indeed, they are quite high. In fact, 3 per cent compounded to a year gives you about 48 per cent in a year; 3 per cent per month compounded to a year gives you about 48 per cent. I am glad that the Minister has reduced it to 2 per cent compounded, but he still has an uphill task. That is why, in VAT, the debt portfolio is so high not because there is tax to be collected, but because of penalties. Since penalties are meant to correct and not to destroy, I think they should be reduced to about 0 per cent or one particular figure.

With those few remarks, I beg to support.

Mr. Gatabaki: Thank you, Mr. Temporary Deputy Chairman, Sir, for the opportunity to contribute to the taxation proposals. I think it is time this Parliament paused and thought of what has become of this great institution. We are discussing the Budget which is the major Government financial programme, the most important package and yet, if you look at both sides of the House, there is a glaring absence of the Members of Parliament. Why? We must ask ourselves why this House is not giving the Budget the importance it is supposed to be given? This is directed to the Minister for Finance and the Treasury. Why has Parliament lost interest in the budgetary process? We must ask ourselves: Why has the nation increasingly lost trust in the budgetary programme? This is because Kenyans do not believe in the Budget any more. It is also because Kenyans do not believe in the ruling party and the merging party any more.

Is it a coincidence that since the NDP merged with KANU, the KANU Members disappeared and the Members of the Opposition also disappeared? If it is a coincidence, we must ask ourselves: What has happened to our nation since the beginning of this term? Yes, KANU and NDP have become a major party, but do we see an invisible force there to defeat any Motion by this side? Do we also see an equally invisible force this side prepared to defeat that force? So, we ask ourselves: What has happened? The Budget has become a ritual. First, it is an explanation of what budgetary proposals or taxation have become in this country. As hon. Waithaka has said before, it is the extortion in the eyes of ordinary Kenyans or the majority or Kenyans who labour everyday and every night and pay Pay-As-You-Earn (PAYE) and VAT by the minority Government for the benefit of the minority and for the provision of services to the minority.

Mr. Temporary Deputy Chairman, Sir, I want to defend that proposition. The hon. Minister, for the first time, told the House that 56 per cent of Kenyans thrive on one dollar per day, that is, they live below the poverty level. Kenya is possibly the only country next to Brazil where the gap between the poor and the rich is unmanageable. When 50 to 60 per cent of a nation thrives on those kind of earnings, one dollar a day, and another tiny minority calling themselves multi-millionaires and billionaires--- What kind of a nation is that? What kind of system is that? Can we be proud of a nation where that massive majority are poor and a tiny minority thrives on this kind of wealth? So, the majority of Kenyans, that is 60 per cent, do not care what the Budget is all about and

they are represented by the Members of Parliament. Majority of Members of Parliament represent communities which thrive on one dollar per day.

So, what is the Budget all about? It is nothing to them! Whatever the Government says, is "good" because they cannot influence it. Why do we see very few Members on both sides of the House? It is because they cannot influence what this Government says or does. When the nation is ruled by a tyrannical system, no matter what you do, that tyrannical system will never listen to you. This is a reflection of what this country has become. Tyranny breeds that kind of mistrust. You do not care any more since you say: "Let them do whatever they want". Indeed, 70 per cent of Kenyans thrive on agriculture and yet the Minister did not come out with a comprehensive programme for reviving agriculture. The most comparative advantage this country has is tourism and yet the Minister did not also come out with a progressive programme to revive our tourism sector. The third largest foreign exchange earner is horticulture and yet the Minister did not come out with a programme to revive our horticulture.

We saw the President going to Washington to negotiate with the IMF and the World Bank and he made it. The President is secretive while negotiating with the IMF and the World Bank. The President himself sits down with the bosses and Kenyans do not know about the fate of about 30 per cent of the budgetary programme that is supposed to come from the donor funding and yet one man has the secrets of what will become of that 30 per cent. Are they serious? That is what we are seeing around here; that these people are not serious. The Kenyans have lost interest in this Government and we are seeing it from the representative of the Kenyans. The emptiness of this House is a message to the Government of President Moi. That is the message and the message is that the Budget is no more useful than this paper. Kenyans do not care at all about the Budget because it is a saga of lies to the Kenya people.

Mr. Achola: On a point of order, Mr. Temporary Deputy Chairman, Sir. While I appreciate the animated contribution emanating from the Member for Githunguri, I am afraid that he is not quite relevant to the issue at hand. Could you ask him to be relevant to the issue we are discussing this evening and stop barking about all these other things?

Mr. Gatabaki: Mr. Temporary Deputy Chairman, Sir, I am saying, relevance or no relevance, 60 per cent of Kenyans who thrive on one dollar per day cannot be expected to fund the jump-starting of the economy. You cannot jump-start the economy with 60 per cent of poor people in this country. Nowhere on earth can that happen! The Government must come out with serious programmes of revival of the economy and not the way the Minister is talking about. A minus 4 per cent growth rate requires a massive programme of rejuvenation of the economy and not what the Minister gave us.

So, I do not want to bore Kenyans by talking and talking because, no matter how much you talk, no matter how articulate your programmes are and no matter how innovative your proposals are, this Government will never implement them. They will never hear and that is why the Minister will never be here to answer that because he knows very well that whatever Budget and taxation measures he brings down here, it is by a Government which is tyrannical, dictatorial and which cares for no other programme apart from its survival. This Budget is about election; it is about survival of President Moi; it is about survival of the KANU Government; it is about survival and tearing this country, and it is about survival of a spent force. The way the majority of Parliamentarians treat this Budget, including the KANU Benches---

Look at the KANU Bench! There are about four Assistant Ministers from the KANU side and one NDP hon. Member. We are told that they are 21; where are the rest?

(Laughter)

We are treated to jokes. We have the bottom line. The people of Kenya, the KANU and NDP side and the Opposition side have lost interest in the Government of President Moi. Let it be said in clear terms, that this Budget is a reflection of failure of President Moi's Government and a demonstration of where the NDP will be taken by their friends in KANU. They will be taken into the bottom hole of irrelevancy in history.

With those few remarks, I would like to condemn this Budget and dismiss it as worthless as this paper.

Thank you, Mr. Temporary Deputy Chairman, Sir.

(Laughter)

Mr. Kibicho: Mr. Temporary Deputy Chairman, Sir, the proposal on Presumptive Tax, which this House, for a long time has said does not help the farmers, is not adequate. We noted that the Minister proposed in the Budget that those taxpayers who want to pay Presumptive Tax may do so and those who want to fill in income tax forms may also do so. It appears that, that is the only aspect which has touched on important crops, like coffee and tea. I would like to inform this House that, that tax proposal is not adequate to promote production of coffee,

tea or any other crop which attracts this type of tax.

When I travel from my district, which is Kirinyaga, to Nairobi, I am saddened. The coffee estates which used to be very green now appear yellow. Economists say that coffee is the second largest traded commodity after oil. That being the case, it means that if this Government was to revive the coffee industry, it could have passed all other sectors of this economy. If this was done, more taxes would be raised, there would be no retrenchment, the economy would grow and, maybe, we would not need to raise taxes.

Mr. Temporary Deputy Chairman, Sir, I expected the Minister for Finance to have gone an extra mile and revived the production of coffee. I would like to say that coffee is one commodity upon which the economy of this country has been built. I would have expected the Minister to have even put a tax proposal in the Budget which states that anybody who borrows money and uses it in the production of coffee, he makes it as a deduction on payable tax or something like that. We are in a situation whereby we will lose the only crop we have. This crop could have saved this country.

We know losses have been incurred in the coffee industry as a result of liberalisation. We also know that liberalisation has not been up to date. If it could have been, maybe, the farmer could have reaped the benefits of liberalisation. There is nothing in this Budget which gives a coffee farmer hope, leave alone solutions to his problems. I would like to propose that the Minister gives incentives to coffee farmers so that they can grow this crop more profitably.

We have talked about the cost of producing coffee for a long time, and we have concluded that it is uneconomical for the small-scale farmer to produce this crop. This is so because the inputs are very expensive. There has been no tax relief as far as the farmer is concerned. I would like to point out that the inputs continue to attract the same duty as it was the case before. The Minister has not even directed the Coffee Board of Kenya (CBK) to do away with the 15 per cent mandatory deductions which they make on gross sales of coffee. This impacts negatively on the final receipt of the farmer.

I would like to urge the Minister to revise the VAT and come up with another method of collecting this tax. What I have in mind is the tax paid by professionals. I would like to state that professionals pay the VAT on an invoice. This tax is also supposed to be collected within 30 days after an invoice has been raised. Quite often, the taxpayer is unable to collect money within 30 days, or these invoices are not paid within 30 days. I would like to propose that the Minister considers this tax to be paid 30 days after receipt of the money which was invoiced.

There is also a problem of the VAT on commercial property. The end result will be that this tax will not be paid by landlords, but it will be paid by tenants. A mechanism should be put in place so that the landlords do not pass over this tax to the tenants. If that is not done, this Government will be guilty of double taxation. This is because the landlord will pay tax on the money he has collected from the tenants. If this will not be checked, it will be double taxation.

I know that I might not have been very clear on this issue. I would like to say that a person who earns income from his commercial property is supposed to declare this tax and pay an income tax. The same person pays the VAT on the same receipt. There is no proposal by the Minister that the money one pays on the VAT is deductible before he or she declares his or her final income for purposes of taxation. If that is not done, it means that there will be double taxation.

We notice that the Minister proposes tax on imported foodstuffs, arguably to protect our farmers who grow rice and sugar-cane. But these taxes have been there for a long time. Unless this Government gives the public proper information so that they may not think that the rice and the sugar, which is imported is of higher quality than the locally produced sugar and rice, this tax will not have any bearing. Indeed, the idea of taxation rule has been to completely ban importation of these commodities so that we can protect sugar-cane farmers, rice farmers or farmers who grow those crops which this tax is supposed to protect. It is very sad that if you go to a place like Mwea, as one speaker said, you find farmers hawking rice on the roadside. We should protect our people so that they get benefit from their sweat.

Mr. Temporary Deputy Chairman, Sir, there is one aspect which I do not think this Government has been capable of handling properly; that is, to detect how much subsidy countries exporting commodities to Kenya have put on those particular commodities. Occasionally, the cost of production here is far much higher than what one pays on retail for some of these commodities. Therefore, it means that there has been a lot of subsidy on these particular commodities. Unless something is done, then our economy will never grow.

Mr. Temporary Deputy Chairman, Sir, I want to address myself to the question of Harambees. Harambee donations have contributed towards development of our social services. Could the Minister for Finance consider making Harambee donations undeductable so as to encourage more people to contribute towards these Harambees? If that is done, then the Minister for Finance should come up with a comprehensive method of knowing the source of this money. As rightly put by some newspapers, some of this money is bribe.

The Assistant Minister for Trade and Industry (Mr. Ekirapa): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to make a few remarks on the taxation measures proposed by the

Minister. On the outset, I would like to support the proposals although some of them are not adequate. It is unfortunate that the hon. Member for Githunguri has left the House, because I intended to answer some of the points he raised. But let me for once agree with him in the statement he made about the lack of interest hon. Members are showing on a very serious matter of taxation.

Mr. Temporary Deputy Chairman, Sir, listening to the contributions made by Members so far, it is clear that we perhaps, we have not taken very serious note of the situation the Minister for Finance indicated to this House during his presentation of the Budget. There is a very serious situation in our country today and I would have thought that Members of Parliament would have taken serious cognisance of the issues raised by the Minister and perhaps, spend some time in the House making recommendations to the Minister that might help our country come out of the economic quagmire in which we are.

Part of the Minister's Statement included an element of funding from our development partners and I know that Members have been making comments about that. But I think that Members should have taken time to look at how best we should formulate our Budget and make recommendations to the Minister for Finance. One point that I am concerned about is the idea of factoring on the national Budget an amount we expect to get from our development partners. It seems that every year, we zero in or include a certain element of funding from our development partners and something happens along the way and we do not get that money. Thereafter, we have forced to reduce the provisions we have made to various Government Ministries and Departments to the extent that our people fail to get any services at all. Even the public service cannot operate because there is not enough money. I would like to propose to the Minister that time has come when we must look at what Kenyans are able to produce and enable our people to produce that much. Let us base our budgeting on what we ourselves can produce. Our people can feed themselves. There are areas in this country which, because of lack of water and hardships caused by drought, are not able to feed themselves. But in total, this country is able to feed itself.

I would like to suggest to the Minister for Finance that the next Budget must take account of what we can do to encourage our own people to feed themselves and to produce some surplus food that they can sell and be able to fund some of the taxation measures that we are proposing here. There is no point for us to expect farmers to pay taxes. To encourage farmers to achieve that objective, it would be very important that taxation measures must take account of the inputs that the farmers require to improve on their own activities. It is important that farmers are able to afford the inputs they need for their farms. At present, inputs are too expensive for ordinary farmers; even commercial farmers are not able to produce the crops they used to produce and sell at a profit. It is the Minister's responsibility to make sure that the taxation measures which are being proposed take account of that very important fact. We must feed our people. We cannot do that, if farmers are not able to produce good food because they cannot afford the prices they pay for the inputs. Since most inputs are imported, we should review the tax that we levy on them, especially fertilizers because I feel they are still very expensive and most farmers cannot afford them.

Mr. Temporary Deputy Chairman, Sir, on the question of Customs and Excise, I want to move to another point which concerns our industrial community; the people who produce goods for sale and who use inputs from outside the country. Today, many of our factories are not operational because of many reasons. The Budget should have provided them with incentives to be able to produce goods at reasonable cost; and I am referring here to the duties which are imposed on raw materials used by manufacturers in our industry.

Mr. Temporary Deputy Chairman, Sir, the Minister has reduced tariffs on raw material imports but that may not be enough. Our industries are in such a desperate state that we need not only to reduce tariffs on imports of inputs used for production but we should also consider subsidising some of those imports. I am aware that, in terms of taxation measures, such a move would be a backward step that would deny the Minister the much needed revenue, but I think the issue is that of deciding where we should start and end. It is like the question of whether the chicken laid the egg first or the egg hatched the chicken first. But it is important that our factories are revived since our people need jobs. It is also important that the people creating insecurity on the streets are removed from there and given jobs in factories to keep them busy. So, the taxation measures relating to imported raw materials must be looked at again because doing that can create jobs for many of our people who have no jobs today. Industries and factories cannot continue producing if they cannot afford to employ people.

I would now like to talk about the Value Added Tax (VAT). Experience has shown that income from VAT is, in fact, what makes us run. The figures that the Minister presented here indicate that VAT is our best form of tax. It is in everybody's knowledge that there are still some people who do not pay VAT. I would like to appeal to the Minister to ensure that VAT is administered in a way that ensures everybody, who is required to pay the tax, does pay it. Some people have printed two sets of invoices for their businesses. If you pay cash for their goods and services, you do not pay VAT. If you pay after being invoiced, you are charged VAT. This habit must be arrested so that everybody who is required to pay VAT does so.

With those remarks, I beg to support.

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): 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 tomorrow.

(Question proposed)

(Question put and agreed to)

[The House resumed]

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

PROGRESS REPORT

APPROVAL OF TAXATION MEASURES

Mr. Ochilo-Ayacko: Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposals relating to Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes, and to report progress and seek leave to sit again tomorrow.

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

(Question proposed)

(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Muturi): Hon. Members, it is now time to interrupt our business. So, the House stands adjourned until tomorrow, Wednesday, 4th July, 2001, at 9.00 a.m.

The House rose at 6.30 p.m.