

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 4th July, 2001

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

POINT OF ORDER

WRONG ORDER PAPER

Eng. Toro: On a point of order, Mr. Speaker, Sir. The Order Paper I picked reads 27th June, 2001. Is it in order for us to be given the wrong Order Paper?

Mr. Speaker: Why did you not get the right one? I have the right one! I am sure the House has the same.

Mr. Anyona: Mr. Speaker, Sir, there is an Order Paper we collected from our Pigeonholes which is totally different from the one before the House. Obviously, the Chair and the Government has the right to change the Order Paper, but we want to know whether we are dealing with the right one or not. I have a Question and I have an answer here but the Question does not appear here.

Mr. Speaker: I do not know what you are talking about. What Order Paper are you talking about? Could I have a look at it? It is not God!

(Laughter)

(Eng. Toro handed over the Order Paper to the Chair)

Mr. Speaker: Order, hon. Members! Eng. Toro had given me the Order Paper he had, which is actually history! You should not have accepted history. What I have on my right hand is current. I would like to encourage all hon. Members and the staff--- Shall we all be in "present" and not in "history"? What the Chair has is current, not historic. So, shall we now proceed? Please, make available the current Order Paper, not historic ones! Are you all right now, Mr. Anyona, ask your Question!

ORAL ANSWERS TO QUESTIONS

Question No.110

SHOOTING OF CONSTABLE ASANYO

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

(a) whether he is aware that on the night of 27th February, 1985, along Luthuli/Mfangano Street in Nairobi, Administration Police Constable Samson Ogwati Asanyo, P/No.202395, was shot dead by a police officer;

(b) what the circumstances surrounding this incident were, and the legal measures taken against the police officer concerned; and,

(c) why the widow, Jane Mokeira Samson, has not been paid the death gratuity and other benefits for the last 15 years.

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

(a) I am aware that sometime in 1985, along Luthuli Avenue, an Administration Police Constable, Samson Ongwati Asanyo, was shot dead by a police officer.

(b) The late Administration Police Constable, Samson Ongwati Asanyo, was shot dead after he tried to snatch a firearm from a police officer on patrol on the night of 27th February, 1985. The police officer who shot him dead was charged with the offence of murder which was later reduced to manslaughter. The accused was later acquitted under Section 215 of the Criminal Procedure Code, Cap.75 of the laws of Kenya, on 10th July, 1999.

Mr. Anyona: Mr. Speaker, Sir, arising from this confusion about the Order Paper, I had not noticed--- This Question came up last time but there was nobody to answer it. But in any case, the answer responded only to parts (a) and (b). Part (c) was not included. You did order that when they come to answer the Question, they should come and answer all the three parts.

The answer which I have here is contained on a piece of paper which is not even signed and that is contrary to what you have always said. Secondly, it only covers parts (a) and (b) of the Question. It does not cover part (c), which is really the most important aspect of this Question. So, I do not really know whether the Government is taking the House and the Chair seriously. You did make specific instructions on this Question. I really do not know how to proceed from here!

Mr. Speaker: Well, in ordinary circumstances, Mr. Samoei answers very well; he has built his reputation along those lines, and I expect that he will continue in that light. Maybe, part (c) just escaped his mind. Would you like to respond to that, Mr. Samoei?

Mr. Samoei: Mr. Speaker, Sir, I am sorry that part (c) of the Question is not included in the answer but the death gratuity and other benefits of the deceased will be paid to Jane Mokeira Samson. I undertake that I will look at the issues that are outstanding and within a month, we should be able to pay this money.

Mr. Angwenyi: Mr. Speaker, Sir, could the Assistant Minister tell this House when this money will be paid, and whether or not it will be paid with interest accrued for the last 15 years?

Mr. Samoei: Mr. Speaker, Sir, I did say I will look at the issues that are outstanding. Unfortunately, there is no provision for us to pay that money with interest. But, I undertake that we shall pay whatever is due.

Mr. Anyona: Mr. Speaker, Sir, it has taken 15 years to pay the widow and the orphans. The Assistant Minister did not even include this in the answer. Now he wants to say he is going to look into it after 15 years. Could he explain to the House why this payment had been delayed this much?

Mr. Samoei: Mr. Speaker, Sir, the issues pertaining to this particular case were only determined in 1999. That is about two years ago. So, partly, the reason why this issue has been outstanding is because of the decision by the court which took that long. As I said, this man was acquitted on 10th July, 1999, from 1985. So, those are some of the issues that were holding the payment of gratuity and other benefits that are due to the widow. I have given an undertaking to this House and I will keep to my words.

Mr. Anyona: Mr. Speaker, Sir, I think the Assistant Minister is doing his best to save the situation. But this is a very serious matter. I would like to assist him by laying the necessary documents here on the Table which have been supplied to them. I would like him to give an undertaking that within a month, he will come back to this House with details of this payment.

Mr. Samoei: Mr. Speaker, Sir, that is okay.

Mr. Speaker: Very well. Just for the assistance of Mr. Samoei. Death gratuity is not dependent on the conviction or acquittal of an accused. The fact of the matter is that the public officer is dead and it will not be reversed by the conviction or acquittal of an accused.

(Applause)

Next Question, Mr. Githiomi!

Question No.384

ISSUANCE OF ID CARDS

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

- (a) what steps he is taking to ensure that all Kenyans without national identity cards are issued with the same; and,
- (b) whether he could inform the House the amount of money payable for issuance of a national identity card for the following cases:-
 - (i) New registration
 - (ii) Replacement of identity card; and,

(iii) Married women changing their maiden names to husbands' names.

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

(a) The Government will continue to provide services at established registration centres countrywide and through mobile registration of eligible Kenyans in areas which are distant from these centres. This will ensure that all Kenyans who come forth for issuance of national identity cards obtain them.

(b) Charges for processing national identity cards are as follows: Kshs50 for new registration; Kshs100 for replacement and Kshs300 for change of particulars therein.

Mr. Githiomi: Mr. Speaker, Sir, over 2 million Kenyans who have attained the age of 18 years have not been issued with identity cards. Another 1.8 million Kenyans who still hold the old identity cards have not been issued with the New Generation Identity Cards. The registration centres in the countryside are charging Kshs200 for new registrations; Kshs500 for lost identity cards to be replaced, and Kshs1,000 to Kshs1,200 for change of particulars. Could the Assistant Minister, therefore, consider registering persons at locational or sub-locational centres to ensure that the 3.8 million Kenyans who have not been registered are registered and be eligible to vote?

Mr. Samoei: Mr. Speaker, Sir, the charges, as I have enumerated here, are the official charges for the various categories of replacement or new registration or change of particulars. However, the charges given by the hon. Member should be corrected. If at all any of our officers have been levying those kind of charges, they are illegal.

During this financial year, we have provided adequate funds to be able to carry out the exercise of registration of persons. Unfortunately, we have retrenched most of the staff that used to man divisional registration centres, and we cannot, therefore, go lower than we are now. However, we shall ensure that mobile centres are available for persons who wish to register to access that facility. I should also add that we do have close to one million identity cards that have not been collected. It will suffice for me to take this opportunity to ask Kenyans who have sought registration and have filled forms to collect those identity cards.

Mr. Michuki: On a point of order, Mr. Speaker, Sir. Is the Assistant Minister in order to mislead this House when he knows that the cards which are pending collection have deliberate mistakes, because the money Mr. Githiomi is talking about was not produced?

Mr. Speaker: That is not a point of order! You should have caught my eye to ask that question!

Dr. Kituyi: Mr. Speaker, Sir, is the Assistant Minister aware that in many parts of this country, in contravention of the constitutional provisions, many officers are refusing to register young men and women because the identity cards of their parents show that they were born in districts other than where they are applying to be registered? What is he going to do about it if he is aware of that?

Mr. Samoei: Mr. Speaker, Sir, I am aware that some Kenyans have been experiencing that problem, and I gave an undertaking to this House that we shall rationalise the requirements for the provision of identity cards, so that those eligible do not go through undue complications in the acquisition of identity cards.

Mr. Shill: Mr. Speaker, Sir, there are many Kenyans who applied for identity cards two years ago and have not received them to date. Could the Assistant Minister tell us the maximum number of days that somebody is supposed to wait after applying for an identity card?

Mr. Samoei: Mr. Speaker, Sir, on normal working days, processing of national identity cards is supposed to take not more than 14 days for them to be ready.

Mr. Githiomi: Mr. Speaker, Sir, it takes more than three months or a minimum of three months for Kenyans to get national identity cards. What is the Assistant Minister going to do to ensure that those seeking identity cards get them within the 14 days he has talked about? It is not practicable at all to get an identity card within 14 days in Kenya.

Mr. Samoei: Mr. Speaker, Sir, we are looking at the future, and shortly we should be able to computerise this exercise. Hopefully, we shall even reduce the 14 days limit.

Dr. Ochuodho: On a point of order, Mr. Speaker, Sir. The Assistant Minister has said that they are soon going to finalise computerisation of the exercise. This House was told two years ago that Kshs300 million was spent to computerise the National Registration Bureau. What other computerisation is he still talking about?

Mr. Speaker: That is a question and you should know it better!

Dr. Ochuodho: Mr. Speaker, Sir, is he in order to mislead the House?

Mr. Speaker: Order! That is a question and hon. Members must differentiate between a point of order and a question.

Mr. Munyao: On a point of order, Mr. Speaker, Sir. My point of order is directed to the Chair. The

Chair must have observed that there is a lot of interest in this Question which touches on citizens of this country. I would like to request the Chair to allow a Motion of Adjournment under a Standing Order that relates to matters of national importance. If I can get ten hon. Members on their feet we can discuss it after 6.30 p.m.

(Several hon. Members stood up in their places)

Mr. Speaker: Order! Order! Mr. Munyao, you cannot be allowed by the Chair to lead hon. Members into disorderly conduct because of your own unwillingness to study the Standing Orders. You know how to go about a Motion under Standing Order No.20. You cannot lead a riot from the Floor!

Dr. Ochuodho: On a point of order, Mr. Speaker, Sir. Is the Assistant Minister in order to mislead the House that they are going to computerise the registration exercise, while they computerised two years ago and spent Kshs300 million of public funds?

Mr. Samoei: Mr. Speaker, Sir, that exercise is under way. We will be able to make full use of that computerisation process shortly.

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

Mr. Speaker: Order, Mr. Angwenyi! You must learn to respect the Chair. You utter any further word, and you will be out of the Chamber.

Mr. Kimeto's Question!

Question No.236

PILOT STUDY PROJECT FOR MAIZE/COFFEE

Mr. Speaker: Mr. Kimeto is not in? We shall come back to the Question later on!
Next Question!

Question No.260

LAKE NAIVASHA FISHING BAN

Mr. Kihara asked the Minister for Agriculture what circumstances have led to a ban on fishing in the Lake Naivasha, thereby denying many fishermen their only means of livelihood.

The Assistant Minister for Agriculture and Rural Development (Mr. Lotodo): Mr. Speaker, Sir, I beg to reply.

My Ministry imposed a six-month fishing ban in Lake Naivasha to allow the regulation of fish stocks for future sustainable fishery and guarantee of sustainable livelihood to the fishermen and fish traders.

This was as a follow-up to our research findings that revealed that fish catches and fish stocks reflected a great decline. A series of consultative meetings with stakeholders, that is, fishermen, fish traders and local leaders, were held in order to map the way out. The meetings decided that it was only a total ban of six months that could allow regeneration. Subsequently, the Ministry gazetted the ban on 8th January, 2001.

Mr. Kihara: Mr. Speaker, Sir, could the Assistant Minister tell this House why over-fishing which has led to this need for regeneration, took place while the lake is surrounded by officers from the Fisheries Department who are supposed to enforce the law to ensure that there is no over-fishing?

Mr. Lotodo: Mr. Speaker, Sir, the over-fishing was as a result of using the wrong nets. We recommend fishermen to use nets more than four inches long and not below that. In many occasions, there are some young men who go into the lake during the night and catch fish using wrong nets. This is illegal, and we are tightening the security on the lake.

Mr. Sungu: Mr. Speaker, Sir, fishing by trawlers, particularly in Lake Victoria, other than Naivasha, is quite common. It is a common practice authorised and perpetrated by members of the Provincial Administration. What action is the Government taking to ensure that this does not happen in order to protect the fish for posterity of Kenyans?

Mr. Lotodo: Mr. Speaker, Sir, as far as the Ministry is concerned, the Provincial Administration have got nothing to do with fishing. Fishing activities are catered for under the Ministry of Agriculture. Therefore, trawling is illegal and anybody who will be caught will be charged in a court of law.

Mr. Kihara: Mr. Speaker, Sir, you heard the Assistant Minister say that the fishermen have been using wrong nets. How does this happen when the fisheries officers are there to enforce the law? How did it happen?

Why use the wrong nets?

Mr. Lotodo: Mr. Speaker, Sir, I categorically stated that there are some people who are engaging in illegal fishing activities and that is why they are using the wrong nets.

Mr. Wanjala: Mr. Speaker, Sir, fishing is a source of income for the people who are staying along the lake. Severally, they have suffered because of this fishing ban in the lakes. Instead of banning fishing totally, could the Assistant Minister consider giving alternative months for the ban? Possibly, the fishermen could do fishing from April to August and then they close again till the following April, instead of banning it completely.

Mr. Lotodo: Mr. Speaker, Sir, for the fish to regenerate, we have to ban fishing. As you are aware, some people are using illegal sizes of nets. Should we allow that to continue, I am sure we will run out of fish in our lakes, rendering them unproductive.

Mr. Kihara: Mr. Speaker, Sir, could the Assistant Minister confirm that his officers have failed to do their job? That, in fact, it is the farmers around the lake who raise the alarm regarding the over-fishing, and not his officers?

Mr. Lotodo: Mr. Speaker, Sir, my Ministry has no doubt that the officers are inefficient. With regard to taking care of our lakes, it should be a responsibility of everybody. Wananchi are supposed to raise the alarm whenever anybody carries out illegal activities in the lakes, so, that is not an exceptional case.

Mr. Anyona: On a point of order, Mr. Speaker, Sir. The Assistant Minister is misleading the House. I brought a Question to this House where the fishermen were being harassed by Europeans who live there. And that has been going on. The Minister undertook to go and resolve the issue, but it has not been resolved. I have a letter from those fishermen, saying that now, they have been completely banned by these *wazungus*. So, what we are being told here is not true.

Mr. Lotodo: Mr. Speaker, Sir, I as far as the Ministry is concerned, we are not aware of that letter. Therefore, if the hon. Member has it, he should lay it on the Table.

Mr. Speaker: Next Question!

Question No.363

REPAIR OF KITINDA BRIDGE

Mr. Wamunyinyi asked the Minister for Roads and Public Works:-

(a) whether he is aware that Kitinda River bridge along Bungoma-Nzoia Road (No.E310) is partly damaged and may soon render the road impassable; and,

(b) what urgent steps he is taking to ensure that the bridge is repaired.

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

(a) I am aware of the damage on the Kitinda River bridge along Bungoma-Nzoia Road, No.E310.

(b) The Ministry has programmed to undertake repair works on the river crossing during the 2001/2002 financial year.

Mr. Wamunyinyi: Mr. Speaker, Sir, this particular bridge is causing danger to the users of the road. Could the Assistant Minister tell the House what specific arrangements have been put in place, including how much money has been set aside, and when exactly the work on this particular bridge will commence?

Eng. Rotich: Mr. Speaker, Sir, during this financial year, I think they allocated Kshs557,000 to the District Works Officer, Bungoma. In the next financial year, we hope to allocate Kshs400,000 for this particular crossing. The works are supposed to be complete by the end of August, 2001.

Mr. Murathe: Mr. Speaker, Sir, last year, this House passed a legislation that the Kenya Roads Board (KRB) would be the only agency that could construct roads and bridges in this country. Last month, the Assistant Minister promised that the KRB will be operationalised in the month of July, 2001. The reason why the KRB is not operational is because the Ministry has not appointed a Chief Executive or a Managing Director to the Board. Therefore, even agencies like the District Roads Committees (DRCs) cannot function! Could the Assistant Minister tell this House, because we are now in the month of July, when the KRB will be operationalised?

Eng. Rotich: Mr. Speaker, Sir, the KRB will be operational during this financial year. In fact, it will be operational in July, 2001!

Mr. Ngure: Mr. Speaker, Sir, could the Assistant Minister tell this House what contingency plans the Ministry has for damaged bridges? To tell us that some of the bridges will be built in the next financial year is not enough! Those bridges are for utility purposes and once they are damaged, there must be contingency measures to enable the people to cross the rivers where bridges are damaged!

Eng. Rotich: Mr. Speaker, Sir, the problem is due to lack of funds. Sometimes, when there is too

much rain, the bridges are swept away. Sometimes, like in this particular case, the people vandalised the bridge. But it depends on how much money we have and the kind of damage that we get. We have a certain percentage of money for emergency work, but it is very small compared to the jobs that we have ahead of us.

Mr. Wamunyinyi: Mr. Speaker, Sir, could the Assistant Minister confirm to the House that in the process of rebuilding that particular bridge, it will be broadened because it is very narrow and dangerous?

Eng. Rotich: Mr. Speaker, Sir, yes, it will be widened to seven metres.

Question No.353

GRADING OF ROADS IN MWINGI SOUTH

Mr. Musila asked the Minister for Local Government:-

(a) how many kilometres of road has the Mwingi County Council graded in Mwingi South Constituency since January, 1998; and,

(b) what measures the Minister is taking to ensure that the council's grader is availed to grade roads in Mwingi South Constituency.

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

(a) Mwingi County Council has graded 20 kilometres in Mwingi South Constituency since January, 1998.

(b) I have instructed the Mwingi County Council to make the grader available in Mwingi South Constituency immediately. Indeed, the council has confirmed allocation of Kshs95,000 to be used for grading roads in every location.

Mr. Musila: Mr. Speaker, Sir, I thank the Assistant Minister for that answer. However, you have heard him say that for a period of three-and-half years, the council has been able to grade only 20 kilometres of road. That would, perhaps, have been done in two days and yet, we are talking of three-and-half years. Could he tell us how many kilometres the council has graded in the whole district of Mwingi?

Mr. Sirma: Mr. Speaker, Sir, in the whole of Mwingi District, from 1998, the council has graded 500 kilometres to date. Out of those kilometres, it is unfortunate that only 20 kilometres have been graded in Mwingi South Constituency.

Mr. Munyao: Mr. Speaker, Sir, it is very clear that Mwingi District has got only two constituencies. If for the three years the council graded 500 kilometres, and 480 kilometres were graded in one constituency "which is not more senior" than the other--- Only 20 kilometres were done on the other constituency! It is very clear that something is very wrong! We want the Assistant Minister to confirm that because, that is not the only area where that has happened! Those tractors stick in several other districts where there are senior Ministers and Members! That is not the only area. Could the Assistant Minister confirm to this House that there will be a proper roster for such tractors to be going round in all the constituencies? He should particularly take note of the Mwingi South case where, for four years, only 20 kilometres have been done. Even the hon. Member will be asked by his people: "What have you been doing?" We want an assurance from the Assistant Minister that proper grading will be done.

Mr. Sirma: Mr. Speaker, Sir, I sympathise with my colleague. For sure, it was very unfair! But we have given firm instructions to the Clerk to the Council to ensure that the grader moves immediately to Mwingi South Constituency without any further delay.

Mr. Musila: Mr. Speaker, Sir, I am grateful to the Assistant Minister for the assurance that he has given. I want it to be clear to him and the House that, I only came to the Ministry after failing to get assistance from the council. Now, in order that I may be satisfied that the Assistant Minister has given firm instructions as he has said, could he undertake to provide a work plan to me, so that this House could know when the County Council of Mwingi will cover all the roads which are supposed to be graded in the district during the remaining period of one-and-half years?

Mr. Sirma: Mr. Speaker, Sir, I will ensure that a programme is drawn from the council. But I would like the hon. Member to liaise with the councillors from Mwingi South, so that they could adequately represent Mwingi South as he is doing! I would like to assure the hon. Member that I will ensure that the Clerk complies with the programme. If he does not comply, I think the retrenchment exercise is still on!

Question No.380

IMPLEMENTATION OF KISUMU
WATER SUPPLY PROJECT

Mr. Sungu asked the Minister for Local Government:-

- (a) when the construction works of the Kisumu Water Supply and Sewerage System, which was being financed by the Japanese International Co-operation Agency (JICA), will commence; and,
(b) what delayed the commencement of the project.

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

(a) The construction works of Kisumu Water Supply and Sewerage System will commence when funds will be available. The feasibility study has been finalised by the JICA.

(b) The delay in the commencement of that project has been caused by lack of funds. My Ministry and the Treasury are in the process of procuring funds from an international financier. The project will commence immediately once a suitable financier is identified.

Mr. Sungu: Mr. Speaker, Sir, the hard-working Assistant Minister, although my answer is signed by Mr. Kamotho, has given us the wrong answer. The feasibility study for the project was done in 1997/98 and all the documents are with the Government. The Government is well aware of what is going on there. A Mr. Kinithi in the Ministry of Finance and Planning refused to forward the appraisal report for that project, so that the Government could guarantee the loan to the Kisumu Municipal Council, despite the fact that other municipal councils, including Nyeri and others, were guaranteed by the very same Government! Could he tell us exactly what is going on in his Ministry? When you say there is lack of funds, why have you not taken advantage of the loan facilities offered by the JICA?

Mr. Sirma: Mr. Speaker, Sir, I appreciate the problems faced by the Kisumu residents as explained by hon. Sungu, and I wish to inform him that the funds required by the international financier are to the tune of Kshs1 billion, which have not been obtained at the moment. So, once the funds are available, we shall be able to move ahead.

Mr. Sungu: On a point of order, Mr. Speaker, Sir. I said that JICA had agreed to finance the Kisumu Municipal Council to fund this project. They have done the feasibility studies and everything necessary. All that was required was for the Government to guarantee the loan. Now, he is telling us the opposite. Is the Assistant Minister in order to mislead this House?

Mr. Sirma: Mr. Speaker, Sir, I wish to inform hon. Sungu that JICA only financed the feasibility study to the tune of Kshs150 million. The international donor who is supposed to fund the sewerage system is the Japan Bank of International Co-operation.

Mr. Speaker: Next Question by hon. Kimeto!

Question No.236

PILOT STUDY PROJECT FOR MAIZE/COFFEE

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

(Question dropped)

Let us go to Questions by Private Notice.

Mr. Sungu: On a point of order, Mr. Speaker, Sir. I am not satisfied by the answer given by the Assistant Minister.

Mr. Speaker: Maybe, you can proceed under Standing order No.18.

Mr. Sungu: Mr. Speaker, Sir, I wish you would, perhaps, defer this Question so that the Assistant Minister can answer it in a better manner because I am not satisfied with the answer.

Mr. Speaker: I think I have already finished. Maybe you can apply to me under Standing Order No.18. Questions By Private Notice, Mr. Michuki!

QUESTIONS BY PRIVATE NOTICE

CREATION OF DISTRICTS

Mr. Michuki: Mr. Speaker, Sir, I beg to ask the Attorney-General the following Question by Private Notice.

(a) Is the Minister aware that in contravention of Section 123(1) of the Constitution of Kenya, the Government has created districts in various parts of the country?

(b) Does the Districts and Provinces Act (Act No.5 of 1992), prescribe all the districts as required by the Constitution?

The Attorney-General (Mr. Wako): Mr. Speaker, Sir, I beg to reply.

(a) The Attorney-General is aware that some districts have not been prescribed by an Act of Parliament.

(b) The Districts and Provinces Act, Act No.5 of 1992, does not prescribe all the districts.

Mr. Michuki: Mr. Speaker, Sir, every time we come to a new Parliament with new Members of Parliament, including, from the legal point, the President himself, we have new people who have to swear before the appropriate authorities, particularly before you, that they shall uphold the Constitution of Kenya as by law established. Districts have been created from 1992 against the provisions of the Constitution and the law that is supposed to establish districts. Now, does the Attorney-General consider that the oath of office has any meaning at all, within the Republic of Kenya, if it has been flouted since 1992 up to now?

Mr. Wako: Mr. Speaker, Sir, the oath of office has total meaning. We do things in accordance with the law but where, at times, we have not strictly followed the law, we still have to come back to this Parlia

Mr. Angwenyi: Mr. Speaker, Sir, you have heard the Attorney-General say that there are things which have been done sometimes and then they come back to Parliament to regularise. This is the Constitution of Kenya! Could he confirm that from today, they will not contravene the Constitution of Kenya by carrying out unconstitutional acts?

Mr. Wako: Mr. Speaker, Sir, I can confirm that the Constitution of Kenya will not be deliberately violated. On this particular issue, this matter was brought to the attention of the relevant authorities and because they believe in the Constitution, they immediately embarked on the exercise which will result in an amendment to a Bill which will be tabled in this Parliament.

Mr. Speaker, Sir, I can say that a lot of progress has been made in this regard in that boundary plans, which is the main issue and which have to be confirmed in this House, for over 28 new districts are now ready.

In other words, the cartographer has already delineated boundaries of the 28 new districts. For 12 new districts, the cartographical work is about to be completed. There are boundary disputes in eight districts which are quickly being settled. So, very soon, when this exercise is complete, we shall be able to come to this House.

Mr. Munyasia: Mr. Speaker, Sir, to the best of my knowledge, there only has been one boundary commission established by the President to try and draw boundaries between two or three districts. Could the Attorney-General tell us who else has been delineating those boundaries for other districts because we have not heard of any other commission except the Mwangovya Commission whose results we have not got to date?

Mr. Wako: Mr. Speaker Sir, the issue of delineating district or even divisional boundaries is an administrative matter and all that it requires is an expert in that field. Once he does his job and the Government is satisfied, then we should be able to bring the appropriate Act here. The Mwangovya Commission is not so much a commission, but I think it is one of those committees which are trying to sort out boundaries of some districts in a [Mr. Wako]

particular area where the hon. Member of Parliament comes from.

Mr. Wamae: Mr. Speaker, Sir, you must have heard the Attorney-General admit that 28 districts have been created illegally and contrary to the Constitution and the Government has continued employing District Officers, Officers Commanding Police Divisions (OCPDs) and other district officers contrary to the law. What is the Attorney-General going to do to have this matter rectified, and has he not been negligent in not advising the Government that the creation of these extra districts was an illegality and unconstitutional?

Mr. Wako: Mr. Speaker, Sir, as I stated in my answer, I acted and advised the Government correctly and in time. That is why they immediately embarked on this exercise which you will agree that the progress made is quite fast. This is because if the boundaries of 28 districts have already been finalised and 12 more are about to be finalised and only six or eight have some boundaries which are about to be settled, you will agree that the Government is proceeding very fast on the advice of the Attorney-General.

Mr. Michuki: Mr. Speaker, Sir, could the Attorney-General tell this House, the country and the world too, because it is listening, whether it was in order for whichever authority; whether it was the President of the Republic of Kenya or the Attorney-General himself, to create districts before the law had been passed to establish those districts, through what must be a commission to establish the wishes of the people whether they should be divided into two districts? Could the Attorney-General explain this matter because it is highly unconstitutional and

it is against the oath of office, and this Government ought to resign because of that?

Mr. Wako: Mr. Speaker, Sir, I believe that the announcement of the intention to create new districts was made in good faith and in response to the needs and requirements of the people of these areas.

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

Mr. Speaker: Order! There is no doubt this is a very involved and emotive issue. We cannot finish it within the five minutes that we ordinarily allocate to a Question. Hon. Members who are not happy with it today can proceed by way of debate later on. I have a Motion before 3.30 p.m., and I have three Questions left. I would like to ask Messrs. Mwenda and Obwocha whether I could defer their two Questions until tomorrow afternoon so that we can give Mr. Leshore a chance, and then have this Motion before 3.30 p.m. Is that okay with the two of you?

Mr. Michuki: On a point of order, Mr. Speaker, Sir. I am seeking your guidance---

Mr. Speaker: Order, Mr. Michuki! I am addressing the two hon. Members. Proceed, Mr. Obwocha!

Mr. Obwocha: I have received a copy of the written answer which is very unsatisfactory, if the Minister can hear that. I would like to request the Chair to have this Question put on the Order Paper on Tuesday, next week rather than tomorrow.

NOMINATION OF PROVINCIAL OFFICERS AS COUNCILLORS

(Mr. Obwocha) to ask the Minister for Local Government:-

(a) Why did the Minister find it necessary to re-publish the nomination of PCs, DCs and DOs as councillors under Kenya Gazette Notice NO.1613 of 16th March, 2001, whereas the same had been revoked under publication of Gazette Notices Nos.2597 and 2598 of 2000?

(b) Is he further aware that a Motion was passed by this House in 1998 revoking their nominations?

(c) Could the Minister assure the House that he will revoke the publication thus de-linking the Civil Service from politics?

Mr. Speaker: Very well!

(Question deferred)

Mr. Mwenda, should your Question be deferred to tomorrow afternoon?

Mr. Mwenda: Yes, Mr. Speaker, Sir.

ABDUCTION OF MR. MUTEA MWENDA

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

(a) Is the Minister aware that Mr. Mutea Mwenda was on 22nd September, 2000, abducted while tending his farm in Ntoroni Location and the matter reported at Gatunga Police Station, and that he has not been traced to date?

(b) What steps have been taken to search and trace him?

Mr. Speaker: Very well! Your Question is deferred!

(Question deferred)

Let us move on to Mr. Leshore's Question. I am sorry, hon. Members. I am not discriminating against anybody; you can all understand!

SHORTAGE OF PARAMEDICS IN SAMBURU

Mr. Leshore: Mr. Speaker, Sir, I beg to ask the Minister for Medical Services the following Question by Private Notice.

(a) Is the Minister aware that there is a shortage of paramedics in Samburu District, especially nurses?

(b) What action is he taking to ensure that people in Samburu District are getting adequate medical

services, and especially in Samburu East?

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

(a) I am aware that there is shortage of health workers, especially nurses in Samburu District. I am also aware that this shortage is being experienced countrywide.

(b) To ensure improved delivery of adequate medical services in Samburu East and other areas affected by the shortage, arrangements are in place to employ more nurses and clinical officers to be deployed in these areas.

Mr. Leshore: Mr. Speaker, Sir, this is the second time I am asking this Question. Last time, I asked the Assistant Minister to be specific on the number of nurses or clinical officers he will post to Samburu District, and especially Samburu East.

Mr. Mohamed: Mr. Speaker, Sir, I am afraid I cannot give this specific answer because we are in the process of employing nurses and clinical officers. As soon as that exercise is complete, I will make sure that enough nurses and clinical officers---

Mr. Munyasia: On a point of order, Mr. Speaker, Sir. Does the Chair realise that this is a continuation, and that this Question was supposed to have been answered two weeks ago? It was postponed until today so that the Minister could bring specific figures on the number of nurses he was going to recruit for Samburu East. If he has not brought the figure, does the Chair not realise that he is avoiding to answer a legitimate Question?

Could he be ordered to give that answer, otherwise, the House names him?

Mr. Speaker: Order, hon. Members! I do not think it was the hon. Minister who was here last week when this Question was asked. I think it was his Assistant Minister who was here.

Hon. Members: It was the Assistant Minister who answered it!

Mr. Speaker: Order! Mr. Mohamed, what happened is that when this Question was answered by your Ministry last week, the House wondered how you could employ nurses for a district whose requirement you do not know. Therefore, to make your employment sensible, first of all, find out the positions that you need to fill and then come and tell the House. Therefore, we deferred this Question in order for you to go and find out from the ground the number of nurses and clinical officers you will require in different places in Samburu District. That is why you have come to answer this Question today. I do not know whether you had been informed accordingly.

Mr. Mohamed: Mr. Speaker, Sir, I am afraid I have not been briefed properly on that issue. But I am not employing nurses and clinical officers for Samburu District alone. I am in the process of employing nurses and clinical officers for the whole country. I have got the authority to employ 600 nurses and 200 clinical officers. As soon as that exercise is complete, I will make sure that I post the required number of clinical officers and nurses in Samburu East. I will give that constituency the first priority.

Mr. Keynan: On a point of order, Mr. Speaker, Sir. While I appreciate that the Minister is new in that Ministry, is he aware that, today, as we speak here, 12 people whose names I will read out right now have died in Wajir District as a result of Cholera outbreak? Is he also aware that there is no medical doctor in the entire Wajir District, and yet, the promise of paramedics being employed has been there for the last two years? Could he tell us when these paramedics will be employed because it is not only in Samburu where people are suffering? I will read the names of the people who have died at Wajir District Hospital as a result of Cholera outbreak, and they are being buried right now. The Minister can confirm this.

Mr. Speaker: Order! Have you ever heard of the term "hijacking"? You have hijacked this Question from Samburu District and taken it all the way to Wajir District.

(Laughter)

Probably, you are very good friends with Mr. Leshore, but, please, do not take it too far; just a little. Can we, first of all, deal with the issue that led to this Question being deferred? I remember I was in the Chair when this Question was asked, and the House wanted to know the number of vacant positions for nurses and clinical officers in Samburu District. So, that was the order of the House; that, could the Assistant Minister go and bring to this House information relating to the requirement of Samburu District in terms of nurses and clinical officers? From there on, the hon. Member will be in a position to question you, when we know the magnanimity of the problem, or it may not even exist. So, can I give you more time, Mr. Mohamed?

Mr. Mohamed: Mr. Speaker, Sir, the problem of shortage of nurses and clinical officers is a serious one. As I have said, it is not only being experienced in Samburu District, but everywhere in Kenya. We are doing everything possible to alleviate the problem.

Mr. Speaker, Sir, I would like to say that we are about to finalise this exercise, and as soon as it is complete, I will give priority to Samburu District---

Mr. Munyao: On a point of order, Mr. Speaker, Sir. The Chair has advised this hon. Minister, whom we respect somehow. This Question was deferred by the Chair, and the Minister has accepted that he was not properly briefed. Should he continue arguing, or will he take the advice of the Chair? How many times will the Chair remind Ministers that they should come here with proper briefs?

Mr. Mohamed: Mr. Speaker, Sir, I think the Ministry is aware of the problems in Samburu District, Mbooni and everywhere in Kenya--

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

Mr. Speaker: Order! Order! The Ministry may very well know the problem of medical requirements of Samburu District, but the House does not. Apparently, the Ministry does not either, because if they knew, they would have said off hand how many nurses and clinical officers they require. The House is entitled to know this and we will not negotiate about it. The House will get the information it requires and so, I do order that, tomorrow, this information be brought to this House. That is an order!

(Applause)

Mr. Mohamed: Mr. Speaker, Sir, it is very easy for me to do that. I will bring that information tomorrow.

Mr. Speaker: Very well! Next Order!

BILLS

First Readings

THE FINANCE BILL

(Order for First Reading read - Read the First Time - Ordered to be referred to the Departmental Committee)

THE BANKING (AMENDMENT) BILL

*(Order for First Reading read -
Read the First Time -
Ordered to be referred to the
Departmental Committee)*

Mr. Speaker: Next Order!

MOTION

EXTENSION OF DEBATE ON TAXATION MEASURES

Mr. Speaker: Mr. Anyona, you can move this Motion under Standing Order No.138. This Motion cannot be debated or amended. So, just move it and I will put the question straightaway.

Mr. Anyona: Mr. Speaker, Sir, I beg to move:-

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 Account 2001/2002 on Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes be extended for two additional Allotted Days.

Mr. Speaker, Sir, as you have indicated, this is indeed a procedural Motion based on Standing Order No.138(1) and which provides that the debate on taxation proposals take three days. But the proviso also provides that, that period can be extended for at most two days. We are doing this for two reasons. One, it is really the taxation proposals that constitute the Budget. This is where wananchi are being taxed, and this is where Parliament should concentrate its attention and focus. The House has been accused by the Press of not taking the Budget seriously, but I think the other debate was general. This is a real debate. That is one reason why we want to assure Kenyans that Parliament does take seriously the provisions of the Budget, particularly as they relate to the taxation proposals.

Secondly, Mr. Speaker, Sir, last year, we had this problem where, at the end of the three days, we found it was necessary to extend time and we had some procedural problems. So, we are doing it in good time to enable the House to be able to transact the business smoothly.

With those few remarks, I beg to move.

Mr. Speaker: Do you have anybody to second? Let him just stand and not talk.

Mr. Anyona: Yes, Mr. Muturi!

Mr. Muturi seconded.

Mr. Speaker: Order! Order, Members! There is no debate on this. It cannot be amended or adjourned. So, I will straightaway put the question. But I just wish to say one thing; I think the Press and Kenyans have a right to criticise if, in their opinion, we are not doing work for which we are paid. They are perfectly within their rights. In fact, I do encourage the Press and the public to give us fair criticism so that we can also know whether we are measuring up to our obligations because we represent the electorate.

(Question put and negatived)

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 3.7.2001)

The Temporary Deputy Chairman (Mr. Musila): Hon. Members, we are in the Committee of Ways and Means and yesterday, the Member who was contributing finished. Therefore, I invite Members who would like to contribute.

Mr. Mwiraria: Thank you, Mr. Temporary Deputy Chairman, Sir. I rise to contribute to the on-going debate. But I would like to prefix my remarks by saying that today, Kenya is becoming a graveyard of failed businesses and companies with very many staff lay-offs. In today's newspaper, there are, at least, three companies which are winding up. One must ask: Why are there so many businesses collapsing? One of the answers, and which is a very sad one, is that, our taxation system is causing some of the businesses to collapse. As we consider

the taxation measures contained in the Budget, we should ask ourselves what damage they are doing to the businesses registered and operating in this country.

Let me make reference to the Value Added Tax (VAT). This tax applies to almost every company and everybody indiscriminately. But the law under which it has been based is rather biased. I will give one example. If a company makes a mistake and overpays VAT, it can only reclaim the overpaid taxes within six months. If the tax overpayment remains unclaimed for more than six months, the company has to forfeit that amount. However, if you underpay Value Added Tax (VAT), the Kenya Revenue Authority (KRA) can go back as many years as it wishes and ask you to pay the balance. It is my contention that there ought to be reciprocity in the law, so that as the KRA recovers VAT underpayment from businesses in that manner, it also refunds overpayment of the same to companies, the time when the overpayment was made notwithstanding.

Mr. Temporary Deputy Chairman, Sir, I would like to refer to the issue of industrialisation generally, and say that this country will soon have no industries unless we change our taxation policies. There was a time when we used to be very proud of motor vehicles assembled in Kenya. At one time, tax on the local inputs had reached 46 per cent. Today, vehicle assemblers in the country are almost running out of business because they cannot operate profitably. The reason for this is that we still continue taxing raw materials required for the manufacture of motor vehicle parts.

If we want to industrialise, we must take into account the fact that we need to sell whatever products we make in Kenya to neighbouring countries. We cannot do that if our goods are as expensive as they are today. So, I would say that although the Minister has lowered some of the taxes on raw materials, his effort has not gone far enough. We need to waive taxes on imported raw materials if we have to be competitive and industrialise by the year 2020.

Mr. Temporary Deputy Chairman, Sir, we have in our statute books laws which are not enforced. This is particularly so with laws on taxes on agricultural commodities such as sugar, rice, tea, dairy products like butter and ghee. We must put Kenyan industries first. There is no point of running a country in which we promote goods from China, India, Europe and everywhere else in the world at the expense of Kenyan goods.

We know that goods which come into Kenya are subsidised in their countries of origin. We have had an example when some powdered soap from Egypt was selling at 50 per cent of the price of a similar type of soap produced locally. Definitely, the Egyptians could not have arrived at that low price without a subsidy, yet in Kenya, we did not insist in having the taxes on that product paid.

Let me talk on one more issue, which has been discussed by several of my colleagues, namely, the subjection of rental income to VAT. I believe that this is the best way of discouraging investors from investing in real estate. You know that if you put up an office block, or a godown, or a residential building that will bring you income in excess of Kshs3.6 million per year, you will have to pay VAT. One would have to think twice before investing in that kind of business. If 18 per cent VAT is added to the construction costs, it will make the construction price rather prohibitive and the mortgage that one may wish to take impossible to bear. I would urge this House to reject the proposal to charge VAT on rental income because, as I said, this the best way of completely "killing" the only industry that has been thriving during these hard times, namely, the construction industry.

Mr. Temporary Deputy Chairman, Sir, finally, let me say that taxes on agricultural inputs and machinery should be zero-rated so as to enable farmers to survive. The economy is in a mess. We have, perhaps, reached the lowest ebb we are ever likely to reach. We should not allow the economic downward trend to continue.

With those remarks, I beg to support.

Mr. Munyao: Mr. Temporary Deputy Chairman, Sir, I am very grateful that you have given me the opportunity to contribute to this debate.

I would like to start my contribution by, once again, congratulating the Minister for having managed to put a square peg in a round hole.

An hon. Member: That is impossible!

Mr. Munyao: As you have rightly observed, it was impossible to do that. But he is advantaged in that he is a fair and truthful Minister. He does not know how to lie. His Budget is very clear. Where he had an uphill task, he admitted that he had it, and where he had a soft landing, he said he had a soft landing. It is for this reason that we are likely to support him to the end.

Mr. Temporary Deputy Speaker, Sir, I would like to congratulate the KRA for the good work it has been doing lately. Last year, the Authority overshot its revenue collection target by Kshs5 billion.

*(The Temporary Deputy Speaker
(Mr. Musila) left the Chair)*

*(The Temporary Deputy Speaker,
(Mr. Imanyara) took the Chair)*

Mr. Temporary Deputy Chairman, Sir, during this financial year, I hope the Ministry will collect the projected revenue for this country. It is only unfortunate that this Government misappropriate our taxes. This Government is like a bottomless pit that keeps on swallowing whatever is put inside. Even if you misappropriate our taxes, please, provide goods and services to our people. There is nothing more disappointing than to see Kenyans and the world in general, listening to the Budget speech with a lot of anxiety. The Minister tells them how much he will collect as taxes. But at the end of the year, there are no services rendered to our people. Please, try to provide services to our people. We would like to see whatever is in the Budget reflected on the ground.

Mr. Temporary Deputy Chairman, Sir, I want to be very brief in my contribution because the issues before the House are policy. The VAT has really hurt tourism in this country. We all know that tourism is a very important industry in this country. I remember at one time, Mr. Musila was the Chairman of the Kenya Tourism Board. We all know how it grew. If the tourism industry is well supported, it could do well. However, with the introduction of VAT and other taxes, this industry will collapse. It is our wish to see a booming tourism industry. Even the former Minister for Tourism, Industry and Trade, Mr. Biwott will agree with me that the tourism industry is very important in our economy. I urge the Minister for Tourism and Information to take it very seriously. We want Kenyan ambassadors and their staff in their countries of accreditation to promote Kenya. They should strive to educate foreigners all about Kenya because we want as many tourists as possible to come to our country. We know they will bring foreign exchange to our country and our economy will grow. Therefore, I call upon the Minister to re-examine the issue of VAT. We should reduce it by 3 per cent. That will be okay for our economy.

Mr. Temporary Deputy Chairman, Sir, another issue that I would like to touch on is the introduction of the visa fee by this Government. We must reciprocate the treatment we get from other countries. For example, if Britain, Japan, or America impose a visa fee on us then we should also introduce it. But I think we will assist the tourism industry if we do away with the visa fee, or reduce it to a reasonable amount, especially for tourists from a particular area, with a specific package. They might compare the treatment they get here with other countries and go to those countries where there is no VAT and other taxes levied.

Mr. Temporary Deputy Chairman, Sir, regarding the tax on commercial buildings, a lot has been said by hon. Members. However, I would like to emphasise that if we continue to levy VAT on those buildings, then we will discourage investment in that sector. This will not augur well for our fragile economy. Again, the issue of Presumptive Tax should be looked into. All these duties are okay, but the Minister should check on the "third window" which some people use to evade paying duties. As we encourage the KRA officers to collect duties, there should be no interferences whatsoever from Treasury or any other quarters so that goods will come to this country duty-free. Let us treat Kenyans equally when it comes to the issue of taxes. I commend a former Permanent Secretary in the Ministry of Transport and Communications. This is because he could not release goods without duty being paid despite the authority from above. He would go personally to Mombasa to deal with those traders who misused the name of the Government in order to get their goods released duty-free. The Ministry of Finance must be firm on the collection of taxes. The right hand of the Government must know what its left hand is holding. I would urge the Minister to support his officers on the ground so that when they ask for duty, it must be paid without interference from any quarter. We want everybody to pay duty as required by law in this country. Let us all try to seal all the *panya* routes along our borders. For example, the Port of Kisumu is used as a conduit to flood Garissa Town with duty-free sugar.

Mr. Temporary Deputy Chairman, Sir, I am a member of the Agriculture, Lands and Natural Resources Committee of this House. I know sugar-cane farmers in this country are suffering because of duty-free sugar that floods our market through the *panya* routes. We must be honest with ourselves. Let us support one cause and take care of our taxes.

Mr. Temporary Deputy Chairman, Sir, people in foreign countries have even been saving on taxes. This is because they pay as much tax as they can, because, at the end of the year, there would be an audit and reconciliation. In case they paid more, they are refunded the balance. We should encourage people to save through over-payment of taxes to this Government because, at the end of the day, they will get a refund which will attract most interest. In this way, most Kenyans will pay as much as they can because they will get a refund in future. In that way, Kenyans will pay more taxes so that they can save.

Mr. Temporary Deputy Chairman, Sir, I want the Minister for Finance to open his eyes and arrest people

who evade paying taxes. I commend the Ministry officers on the ground because they do a good job. However, Asians in this country do not have the welfare of the country at heart. Most of them issue receipts without a duplicate. Since we are in modern times, why should we rely on receipts? Can we not come up with other ways to make sure that VAT is paid on all goods? Most Asians have two receipt books. If you purchase anything from them, they ask you whether you want to pay VAT or not. The Ministry must open its eyes and make sure that those people who keep two or three receipt books pay VAT. We have all to be honest to this country. If they evade paying taxes, then they must be penalised.

Mr. Temporary Deputy Chairman, Sir, it is a pity that most industries and manufacturing firms have collapsed because this Government does not support them. If our country will be industrialised by the year 2020, then we must formulate good policies. We must encourage manufacturers. One way of encouraging them is by allowing them to import raw materials duty-free so that they can manufacture goods. We can also withhold taxes for those companies. We do not have to levy taxes on them before they have sold their goods. Let us give them a grace period of about five years to manufacture without levying tax on their goods.

Mr. Temporary Deputy Chairman, Sir, I support this Budget. I would like to encourage the Minister and his offices to continue doing a good job for this country.

Mr. Nyachae: Mr. Temporary Deputy Chairman, Sir, we are debating the Motion about taxation today and there is no way we can say that we will not tax our people. Taxation has always been part of history in any organised government. But are we organised in our taxation systems? That is the question we should ask ourselves in this country. We are not organised because the tax is expected from people and in return, they expect services. We tax people, but, in fact, the saddest aspect about this House is that we are being used to play the role of accessory to the thieving of the taxpayers' money. This is because it is this House which approves taxation and the moment we have given approval, that tax is never accounted for. One would wish to see an appendix showing how the money that the House approved in the previous year had been spent because the Printed Estimates are prepared a week or two weeks before the Budget is read in this House. The only time we come to realise that the money we approved in this House has not been used properly is when the Controller and Auditor-General brings his Report and the Public Accounts Committee Reports come to this House.

Mr. Temporary Deputy Chairman, Sir, it is known in history that in many countries people have reacted negatively to taxation measures because there is no accountability for what they have paid for. There are taxpayers, including some of us who pay heavily, and yet when I walk out there, I ask myself: "What am I going to get in return for this taxation?" That question cannot be answered from the records of the Government. How can this House continue to be an accessory to the exploitation of the taxpayer?

Mr. Temporary Deputy Chairman, Sir, I would like to request the Minister for Finance--- I know he is a hard-working Minister and he means good after looking at his Budget Speech. But the issue here is: Once he has appealed to this House to approve the Budget and we have approved this taxation, what machinery is put in place to ensure that the money we have approved and supported him to collect has been used correctly? Although we vote money to buy medicine, the medicine is not there to treat the taxpayer. Similarly, although we vote money for education, there are no books in schools and the children are being expelled because they have not come with textbooks to their schools as parents are the ones who buy the books. Where is the money going? Our children in the public universities are being expelled because fees have not been paid. They are served with notices and some are told that they are not going to return during the next semester. Then what are we really doing for this country after collecting taxes from people?

I want to give an analogy of a dairy cow in relation to taxation. The dairy cow we have here is the taxpayer. You cannot continue drying up the animal by milking it today, tomorrow and the next day, without feeding it. In the end, that cow will dry up and that is what is going to happen to our taxpayers. They are getting poorer and poorer and in the end, you are going to ask this House to approve taxation and the person who is supposed to pay the tax is not going to have the money to pay.

Mr. Temporary Deputy Speaker, Sir, you can see clearly that industries are laying off people. If they are laying off people, it means they are making losses. If they are making losses, then where are you going to get the taxes from? You are saying that you want to tax business properties which get income from rent of over Kshs3 million. Fair enough! But is that Kshs3 million going to be there? With regard to buildings that we have, for instance, in the City of Nairobi, believe it or not, a quarter or half of them are not occupied; tenants have run out because they cannot afford to pay rent. So, where are you going to get the tax from? Will it be from somebody who has an empty building because tenants have run away due to lack of money? The Minister is now telling us that Presumptive Tax must continue. I would like the Minister for Finance to know that, Presumptive Tax is actually destabilising the market of our produce because, so long as I know that you are going to get Presumptive Tax from my farming operations; since I know that at the end of the year I am going to make a loss, I will not deliver my

goods to an organised market where you are going to take money from me. This is because I know very well that at the end of the year, I am going to lose. I will instead market my produce through another channel where I can get all my little money and avoid going through a formal market system where you are going to get my money.

I want to tell the Minister for Finance that, since I am able to do my budget in my farming, if I know that I am going to lose, he will not collect the Presumptive Tax from me. I will go through another market channel. Why should I pay tax which is going to be "eaten" by thieves when, in fact, I am going to end up making a loss in my business? What we are asking for here is genuine accountability. For us to be happy and continue approving taxation measures, let the Minister introduce a legislation in this House, because he is the custodian of our money. Let him discuss with the Attorney-General and bring a legislation here so that people who are mentioned in the Reports of the Public Accounts Committee recommendations will be punished. That legislation should be applied against those thieves who have already been named. This is because for the last 20 years, records show that Kshs513 billion from the taxpayers have been misappropriated or stolen. That is an equivalent of four years' taxation in this country. This money has been "eaten" and the issue has been discussed in this House, but no action has been taken to follow up those responsible for the mess. For how long are we going to allow that amount of money to be stolen every year from the taxpayers and we keep on saying: "Yes, you can carry on"?

Mr. Temporary Deputy Speaker, Sir, I would like to request those who know economics to calculate how much money was used on hospitals and roads; how much was used to conserve our water, and how much would have gone to buy medicine out of Kshs513 billion. If money was used properly, we would not be complaining about our roads, lack of medicine in our hospitals and books in our schools. That money has been stolen by very few people. In some cases, it is not mere theft; it is sheer mismanagement.

Finally, I want to say this--- I have kept on repeating this statement. Why should the taxpayer create comfort for people who are mismanaging this country by giving them comfortable cars and yet, on top of that, they are mismanaging the economy of our country? You only pay a reward to a good performer!

The Temporary Deputy Chairman (Mr. Imanyara): Order! Mr. Nyachae, your time is over.

Mr. Muite: Mr. Temporary Deputy Chairman, Sir, I do not know whether the Ministry of Finance and Planning, together with other relevant departments, like the department of economic planning, have carried out a survey in this country to see how many companies and manufacturing concerns are scaling down, retrenching and relocating. It has become very fashionable for major companies, that previously were manufacturing their items in this country, to relocate and bring in finished products into this country, thereby denying the Kenyan economy growth and employment to our people. East Africa Industries, Cardbury Schweps and many other companies now find it easier to manufacture their products in Zimbabwe, South Africa and in the far East, and to bring into this country finished products. That needs to be re-examined because it is the taxation and policies on customs, tariffs and excise duties that are encouraging these sort of practices. When you hear of major companies, like the BAT, relocating to Uganda, it is time to pause and take very urgent corrective measures. We need to request the Ministry of Finance and Planning to utilise the leeway they have in terms of customs tariffs and excise duties and encourage local manufacturing.

I was recently in the United States of America, the country that leads the world in terms of liberalisation, globalisation, opening up of the markets and what-have-you. I was very surprised to learn that the law in the USA requires motor vehicles that are going to be sold in the USA to have, at least, 60 per cent local material if they are going to be marketed. That is why big companies like manufacturers of Mercedes Benz have found it cheaper to set up plants in the US. Japanese have also been forced to set up plants in the US in order to manufacture their motor vehicles there. The multiplier effect, when they set those plants, is very great, indeed, in terms of employment and buying raw materials that emanate from the USA. These are the sort of policies that we should be adopting in order to protect local manufacturing. But are we doing that? Clearly, we are not because if we were, then, these companies would not have been relocating. Let the Ministry of Finance and Planning not just concentrate on raising money without examining and analysing whether the policies that they are adopting in raising that money allow the economy to grow or assist in decreasing the potential for the growth of the economy. The Minister for Finance may be able to collect this money, and as Mr. Nyachae cited a very good example, you are over-milking the cow without feeding it. You may collect that money today, but if the long-term implications of your taxation measures impact adversely on the economic growth, in the long run, you will not have that money to collect. So, any taxation measure should not just be to collect the money, but very careful thought should be given on their impact on growth of the economy.

We have talked about taxation; the US\$50 that is being collected. Again, one understands the difficulties that we have in running our embassies. I have talked to some of our embassies' staff. So, I know that the US\$50 was intended to run or to pay the salaries of our staff in the embassies. This is because we have come to the embarrassing point where our embassies' staff were going for upward of three months without receiving their

salaries because they were unable to pay their salaries. The US\$50 per visa is supposed to pay these salaries. One understands that, but we should ask ourselves: What are we losing? In my submission, the amount of money this economy is losing is much more than the US\$50 that we are collecting. The average tourist would come to this country and spend upwards of US\$300, pumping it into this economy. You collect US\$50 and you lose US\$300. These are some of the issues that impact very negatively on the economy and I would ask that we rethink on that issue of the US\$50. We need the tourists much more than they need us. This is not *quid pro quo*; that we are being asked to pay for visa application to certain countries and, therefore, we must ask them to pay for the visas. They are coming here as tourists. We are not going there as tourists. That issue needs to be resolved. California, which is the second richest State after Texas in the USA, used to send very many tourists to this country. We had a consular office in Los Angeles. We closed it, instead of even asking one individual to run it. The result is that tourists in California who wish to come to Kenya have to send their passports by Fedex to Washington to get their visas, and it takes the staff there upwards of six weeks to process it. That is over and above the US\$50 that they have to pay. Who would want to go through such hustles, just to go and become a tourist in any particular country? There is competition, as there are many countries that tourists can go to. Kenya is not the only destination, despite the wonderful potential which we have in terms of the Coast, Maasai Mara and Samburu and the other places. Despite that, no one wants to go through such hustles. So, re-open a consular office in Los Angeles and other places, and have focused policies in terms of encouraging tourism, in order for the economy to gain from the dollars that are going to be spent by the tourists. Anything that is going to impact negatively on our economy should be the subject of very careful analysis, including small issues that might look innocuous.

For example, can this Government explain to us why the President chooses to travel between Nairobi and London on British Airways? Why not travel on the Kenya Airways which is a national flag carrier? When he travels on the British Airways, does it not amount to a vote of confidence in the national flag carrier? These are issues which people are asking themselves. He used to travel on the Kenya Airways until we had that unfortunate accident in West Africa. This is the time that the President should travel on KQ in order to show that he has got confidence in Kenya Airways. So, let us think of every action that can encourage the growth of our economy. If the Minister wants to raise money, he must sell Telkom Kenya Limited immediately; privatise it. That is how to raise money. The Government should sell it to the same potential buyer with a qualification; that, we should pass a law saying that 49 per cent of the shareholding must be sold on the Nairobi Stock Exchange to Kenyans and that, no Kenyan will be permitted to buy more than 5 per cent of the shareholding. That is how we will get the economy going and ensure that Kenyans have got a stake in it. We should also privatise the Kenya Commercial Bank and the National Bank of Kenya and raise money that way so that they can be run efficiently. When you privatise by selling them to private buyers, you should ensure that you bring a law - and we shall enact it in this House - requiring that the foreign investor or private buyer can have a majority shareholding of 51 per cent, but the 49 per cent cannot be bought by a non-Kenyan. You should sell it on the Nairobi Stock Exchange so that the Kenyans can go and buy shares and become stakeholders in the economy. That is how we will get the economy going. If the Opposition was in power, these are some of the policies that we would incorporate in this Budget so as not to overtax the low income earner.

Mr. N. Nyagah: On a point of information, Mr. Temporary Deputy Chairman, Sir. I just wanted to inform Mr. Muite, because he was wondering why it has become very fashionable for the Head of this State to travel by British Airways. It is probably because the Kenya Airways does not have a very comfortable First Class cabin. If you travel by British Airways it is literally another bed transformed from your bedroom to the plane. When it comes to that then he will be able to travel by Kenya Airways.

Mr. Muite: The Kenyan economy surely takes precedence over the comfort of travelling between here and overseas.

Finally, let me appeal to the Minister to reconsider the issue of Presumptive Tax. We are talking about Kenya being an agricultural country. Nothing is more discouraging to farmers than the Presumptive Tax. You will remember that, during the last Budget, we actually removed Presumptive Tax. I would like to ask the Minister to remove Presumptive Tax in this year's Budget.

Thank you, Mr. Temporary Deputy Chairman, Sir.

The Assistant Minister for Foreign Affairs and International Co-operation (Mr. Muchilwa): Thank you, Mr. Temporary Deputy Chairman, Sir. Before discussing taxation measures I wish to make some general comments on the Budget. To begin with, I would like to congratulate the Minister for Finance, Mr. Okemo, for the eloquent manner in which he presented this year's Budget. He did the same last year. I would also like to commend him for the theme of the Budget which is: "Effective Resource Allocation for Growth and Poverty Reduction."

The Minister told us that Kenya's economy has been growing in the opposite direction for the past five

years and that, although in 1997, there was a positive growth of 2.3 per cent, there was a negative growth of -0.3 per cent in 2000. During the same period, the level of poverty progressively increased with the number of people living below the poverty line increasing from 52 per cent to 56 per cent. The Minister did not tell us that during those five years, Budget Speeches were made focusing on positive growth and not negative growth. Given that scenario, what is there to suggest that this time round it will be different? In the past, rosy Budget Speeches were made forecasting growth and yet we have been going down until now it is -0.3 per cent. Maybe this year it will be -2 per cent instead of -0.3 per cent.

Before we tax people we must generate income. There is a very serious contradiction in this Budget in that it does not live up to its own theme of "Effective Resource Allocation for Growth and Poverty Reduction." Had it lived up to that theme, then the agricultural sector, which is the mainstay of the economy, would have received the lion's share of the allocation. However, there is nothing like that. As usual that particular sector has been paid lip service. Instead of an increase, there is a total reduction of over Kshs400 million in the budgetary allocation to the Ministry of Agriculture and Rural Development, and that is a shame. How do you promote when you are in fact, not giving any resources to what you are trying to promote?

According to the Minister, this time a survey was carried out in all districts to ask wananchi what their development priorities were and they all said it is agriculture. If all wananchi say that, that is what they want, why should the Treasury do the opposite? We have had negative growth because wananchi want something else and some people sit in the office and believe that what they are prescribing will work. It has not worked. Let us now be serious for a change. Let us put resources into the agricultural sector. The Agricultural Finance Corporation (AFC) was specifically set up to finance farmers, but it has run into problems because of the vagaries of the weather which affect farmers. Instead of being rescued, the AFC is being demonised. There are demands from the Government that the AFC should recover money which the farmers lost as a result of circumstances that the Government knows about. We cannot be serious. That is what is happening.

If we want farmers to survive we have got to put money into the AFC. Let us restructure the AFC to turn it into a farmers bank. Let us also write off at least the interest on the loans that farmers borrowed to give them a break. There are many things that need to be done to boost farming. If we boost farming we will resuscitate the economy. For example, are we being serious when most of our exports to America under AGOA are textiles and yet we do not grow cotton? We should use the AFC and the Government to fund cotton growing. We should release the STABEX funds to the coffee, tea and sugar-cane farmers so that, that money does the job it is supposed to do. We should come up with positive measures to rescue the sugar industry. A whole industry which employs a lot of people is dying while we just sit and stare. We are content to say that some of the factories will have to be abandoned. What will happen to all those workers if we leave them without work? What do we expect them to do? Will we then be surprised if they came to towns, acquired guns and began increasing insecurity? We need to address that question very seriously.

A lot of money has been invested in the KMC. There was a time when the Japanese came and bought equipment for the factory. We need to revive it so that we do not lose livestock unnecessarily because they are part of the resources of this country. When the Government is serious, Kenyans are aware of it. The Government was serious recently when there was a problem in the power sector. The Government moved very quickly to import generators and electricity from Uganda. It also started resuscitating projects that had stalled like the Sondu-Miriu Project. That was positive action and that is what is required even in the agricultural sector.

The Government came in and rescued the Kenya Airways (KA). Now, the KA is flying high and is making a lot of profits. That is what should happen in the agricultural sector. If the agricultural sector is promoted, the effect on the economy will be much bigger than on other sectors. Why do we not take action? Simple things such as the restructuring of the Agricultural Finance Corporation (AFC) and turning it into a bank were recommended in 1989. All those years have passed and nothing has happened. A Motion was brought to this House in 1996 in this regard, it was passed and nothing has been done. We should take the agricultural sector with the same seriousness with which we take the industrial sector. It is not right to keep on talking about the agricultural sector without doing anything to promote it. All hon. Members talk about this and even the Government agrees to it, but when it comes to implementing it, it becomes difficult. That is why the economy is declining.

Mr. Temporary Deputy Chairman, Sir, there are investors in this country and we want more to come. Most Government officers work very well, but there are some who misbehave and are assisting in chasing away investors. Investors are relocating from this country because of harassment. You will find a transporter carrying nine metric tones of tea from M/s Brooke Bond, Kericho, using a 15-tonne lorry. The lorry is impounded by the officers who state that it is overloaded. They harass the transporter and later on when they check, they find out that the lorry was not overloaded, but it is the weighing machine which was reading wrongly, they go to court and

they are defeated. Common sense should prevail so that businessmen are not unduly harassed. Transporters' lorries should not be impounded when there are documents which show the weight the lorries happen to be carrying.

Mr. Mboko: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to contribute to the debate on taxation proposals.

From the outset, I would like to congratulate the Minister for Finance for the measures he has taken to jump-start the economy of this country. Secondly, I would like to extend my congratulations to the Kenya Revenue Authority (KRA) for the able manner in which it has collected taxes in this country. Kenya has some of the highest tax rates in Africa, if not in the world. The KRA has collected revenue in excess of 70 per cent of the available revenue in this country. My worry is: How will we get a return from this revenue? What can we look back at and say that, after collecting so much revenue, this is what the country has achieved? Year in, year out, we have talked in this House about development projects, but when it comes to their implementation, nothing is done.

Mr. Temporary Deputy Chairman, Sir, we seem to have lost direction in our taxation system. You will find that one commodity is charged Excise Duty and VAT. Why can the Government not make sure that the locally-produced goods are charged VAT once? An importer who brings in some industrial machinery and motor vehicle spare parts pays Excise Duty and VAT for the same goods. The same product, which was taxed at the port is charged VAT to the consumers. Why are we double-taxing goods? Why do we not have a one-stop tax collection point?

The Government has imposed Excise Duty on oil. It has also imposed VAT on oil and at the same time, it is collecting the fuel levy. We were told in this House that the purpose of the Fuel Levy Fund was to construct roads. Which roads are being constructed? This is the illegality of taxing Kenyans. The Government is committing a criminal act by collecting the fuel levy and promising to construct roads for the people, but after 12 months, nothing is done. I know my friend, the Minister, may not like it, but if he would tell you, in his own constituency, nothing has been done. Surely, how shall we be accountable to the citizens of this country? Is this Government doing the right thing? How will the citizens of this country take the promises made by the Government seriously? The major roads which we use to transport our agricultural produce to the markets are deplorable. The maintenance cost of motor vehicles is very high. The Government must rescind the decision to collect the fuel levy, or else provide services to the people.

Mr. Temporary Deputy Chairman, Sir, the Port of Mombasa is in a very strategic position, but currently, it is getting a lot of challenges from the Port of Tanga, the Port of Dar-es-Salaam and the Port of Durban. Even our neighbouring countries, which are land-locked, cannot use the Port of Mombasa as their entrance because the charges at the Port are very high. If I were the Minister for Finance, I would make sure that all the Kenya Ports Authority (KPA) services are not charged VAT in order to make the Port of Mombasa cheap. But if we impose VAT on the KPA services, then the services of the Port become very expensive and the importers will not find it possible to import their goods through the Port of Mombasa. That is why you find that countries such as Uganda, Burundi, Rwanda and even the Democratic Republic of Congo are using the Port of Dar-es-Salaam to import their goods while it is easier for them to import their goods through the Port of Mombasa. Therefore, I would urge the Minister to review the VAT charges on the KPA services.

Mr. Temporary Deputy Chairman, Sir, our country has an agricultural economy. When you impose taxes, you must find out whether the taxes you impose will endanger the farmer. For instance, when you impose a high Excise Duty on tobacco or beer, what are you telling Kenyans? The farmer's farming efforts will be frustrated. The East African Breweries will not purchase enough raw materials because there are no beer drinkers because the beer is expensive. The smokers will not access cigarettes because the cost of smoking will be prohibitive. Therefore, barley and tobacco farming will be reduced. When you reduce the farming acreage of barley and tobacco, you are retrenching the farmers. That is an area where the Government must review its policy. Kenyans must ask themselves: What are the benefits of farming?

Mr. Temporary Deputy Chairman, Sir, on the issue of production, in our current projections, we have introduced 35 per cent taxation on imported barley. I do not represent any company here, but all barley in Kenya is grown by the East African Breweries Limited (EABL). The Castle Brewing Kenya Limited (CBKL), who have invested and created employment in this country, have no access to the barley produced in this country. That is because it has been researched and grown by the EABL. The CBKL has to import its barley from outside the country. When you load the tax on the imported barley which is solely used by the CBKL, you are telling the CBKL that there is no fair competition. Where there is no fair competition, the CBKL which has employed many Kenyans and is supporting our economy in terms of taxes, will soon wind up! If it winds up, is that to the best interest of this nation and workers of this country? Will it be to the best interest of this Government to lose the taxes that the CBKL pays? Time has come to put our priorities right. I have no problem when you tax poultry,

eggs, oranges and other things which are produced locally. They could even be taxed up to 100 per cent because those who are importing eggs are not creating any new employment! Those who import beef products do not create employment for our people. But a company that creates employment for our people and forms a basis for Government to collect revenue, surely must be supported! In that regard, I would urge the Government to reduce duty on imported barley for the purpose of that particular company.

Thank you, Mr. Temporary Deputy Chairman, Sir.

Mr. Kajwang: Mr. Temporary Deputy Chairman, Sir, first, I would like to say that it is the duty of any Government to create employment for its people. A Government that cannot create employment for its people is inviting a revolution because the people, who are hungry and are not fed, are likely to take to the streets and bushes! How do you create employment when you destroy SONY Sugar Factory, Nzoia Sugar Factory, Miwani Sugar Factory and Muhoroni Sugar Factory? The amount of money required to revive the sugar companies is only Kshs4 billion. That is Kshs1 billion for each factory. I have worked out that figure with the entire Budget, and it comes to 1.5 per cent of the whole Budget of this country. So, if we were to spend 1.5 per cent of the Budget of this country to create employment for the people in those regions, we would be developing the country much more, and the multiplier effect would be higher. The people who are employed in that industry are the farmers themselves. We have the weeders, cutters, drivers, mechanics, food providers, entertainment people and so on. How do you just watch as our industries collapse, and then start importing sugar from Sudan and Mauritius because we are now part of the COMESA region? Those people can sell their sugar here very cheaply, as we watch our factories collapse and still purport to be a Government concerned about its people! For example, you cannot talk about growth when you are not providing the infrastructure for growth. To provide the infrastructure for growth is not to destroy our factories, but to help them. In fact, those factories need not make profits. The Government did not invest in the sugar industry to make profits. They need not have good balance sheets. What is important is that they run. The amount of money they generate by merely running even at a deficit, even if they were subsidised by the Government, creates growth, employment and makes this country better and richer.

Mr. Temporary Deputy Chairman, Sir, I would like to give you an example of why Dubai seems to be doing well. It is not because of their oil. Sometimes, the oil does not bring them as much money as the policies that they have put in place for investment. Let me give you an example. If you were to import televisions in this country to sell, you would require to buy a 40-foot container. That is a lot of money. You would have to go to your bank and borrow at a high interest rate. When it reaches the port, you will have to raise some other money to pay duty and other taxes. If you are lucky to get that money and bring the televisions here, then you will have to sell them piecemeal and somehow, because they are very expensive, they will be bought slowly. So, there are very few people who can put the resources together to do business. They will only be Asians who can borrow from other traditional sources other than from banks and multinational companies.

What has Dubai done to help those people? They have created a free port. They say that those who import goods can keep them somewhere, maybe at the Port of Mombasa or Nairobi, and then wait until they get the market, and then you can sell. As they sell, then they pay the duty. The person who buys will then pay the duty. How does that help the businessmen? A businessman who brings the televisions need not raise a lot of money to pay duty immediately at the port, or lose his goods after 90 days. Even parastatals lose their goods at the Port because they cannot raise the money to pay duty immediately. So, if you really want to help small African businessmen to do business in this country, you must put in place a facility that will allow them to pay duty only when they sell. Otherwise, they will spend a lot of money and maybe, get stuck with their goods for years, and get destroyed as businessmen. The interest rates are prohibitive.

Even before the people who go to Dubai buy the second-hand vehicles, they will have spent maybe US\$1,000 staying in a hotel, eating somewhere and being entertained somewhere else. If we were to get US\$1,000 from visitors coming to this country, assuming there were 1,000,000 visitors only, who would come to buy from our free port, there would be US\$1 billion! We will not even need the International Monetary Fund (IMF) or the World Bank. Just put a facility which will make people come from South Africa, Zimbabwe, Uganda and Tanzania to come and spend their money here. You will get real tourists who will come to do business. That is where Dubai gets its money from. Why can we not do it? We are so strategically placed because we have a natural Port, a railway system and a few bad roads! But they are still roads here! We have airports which are not so good, but they are still here! We could make much more money in the COMESA region than becoming traditional. I know that, when you tell the Treasury those things, they will tell you, "you are a thief", because they are used to thinking traditionally! They have thought traditionally until we are now at 0.3 per cent growth! They must think of a way of bringing visitors to spend their money here. That is the only way we will make money. So, if we do something about our agriculture and taxation policies and create a free port in

Kenya, then people will flock here. People will come from the DRC and South Africa to buy from us and we will generate enough money to help our country.

Mr. Temporary Deputy Chairman, Sir, I need not say this again that, unless we invest money in cotton, we are not going to help ourselves with this AGOA law which the Americans passed. How much money do we need? We just need a few ginneries. It will not even take Kshs1 billion. We only need some little credit for our farmers to buy pesticides and to be sure that when they have harvested their cotton, they will get a market for it. If we do that, then we will generate employment and money. We will get foreign exchange and we will then revive our textile industry. However, if we just watch things go and we have to import cotton from Tanzania-- I wonder why we have to import cotton from Tanzania and Uganda when we can also grow it. In fact, Kenya has one of the best lint in the world. Some researchers have said that our country generates the best lint in the entire world. It is the longest lint and it is good for textiles and we watch it collapse. I do not know what the Cotton Board of Kenya still does. I do not know why the Government has not wound it up because I do not know why we pay them any money at all. This is because they do nothing and they have no resources to do anything.

Currently, we are giving farmers cotton seeds and after they have planted the cotton and spent their money on weeding it and pesticides, who will buy it? So, unless the farmers know that there is a market for the product, they will not put their money in farming. When the Minister for Finance comes to this House again next time, we expect him to think about those things which will generate income and growth for this country. It is not good to merely talk about growth and poverty reduction when the areas where poverty reduction and growth would be highest are ignored. We cannot survive by destroying our businessmen. Our businessmen and our farmers are those who lay the golden egg, but you cannot develop a country by destroying them and opening up this country to importation of things which we can grow ourselves. Nobody wants to plant any more maize because you do not want to plant at a loss. Our people, who are commercial farmers, are turning into peasant farmers because they now just grow maize for feeding their families. So, how will our country grow unless we put money in areas which will be the engines of growth? Our experts at the Treasury and Ministry of Finance and Planning are brilliant people who have gone to school. In fact, their Permanent Secretary is a professor and sometimes you wonder why they do not see these things. What is happening to our planners and technicians at the Treasury? Can they not see that just a little money in agriculture, rural infrastructure and tourism would change this country and earn us jobs and money?

Thank you, Mr. Temporary Deputy Chairman, Sir.

Mr. Kariuki: Thank you, Mr. Temporary Deputy Chairman, Sir, for availing me this opportunity to comment on the various methods of raising revenue. I would like, first of all, to commend the Minister for having had a very exercising job of earmarking areas where he could raise extra revenue during a time when the economy is going through a very difficult time. I must say he must have gone through a very rigorous process of trying to identify these areas. However, in so doing, I think he has also gotten into a few areas that we should maybe address or give our attention to.

Before I do that, I would like to also say that he is lucky to have also identified people from the private sector who can help in the management of some of the institutions like KRA where the new Commissioner-General happens to be a graduate of the private sector. I hope the Government is not losing faith in civil servants but they have misbehaved. Therefore, I think it is high time the Government also sourced dependable people from any quarter. I think it is commendable that the new Commissioner is starting doing a good job. If I declare my interest and say that he is a graduate of the Nairobi Stock Exchange, I would say that the same is doing very well for availing people to man NSSF, KRA and various other institutions. So, therefore, that should be the practice that where there are good heads that can develop this country, the Government should not hesitate to identify them and give them jobs so long as they do a good job. I think examples have been set that these people are so far doing a good job and they should be supported in their work of running those institutions.

Mr. Temporary Deputy Chairman, Sir, it is unfortunate that the few Kenyan companies and individuals who pay taxes are becoming over-burdened with more taxes and I think the burden of taxation should be limited so that we do not over-tax people and make taxation counter-productive. There are areas that the Government ought to look at very seriously and one of them has been the area of dumping of goods in transit. One wonders where some of the petrol stations that are selling very cheap petrol are getting it from. There are allegations that most of this petrol comes from petrol that is in transit to other countries and finds its home in some of these dubious oil selling companies. Something should be done to avoid the dumping of transit goods into the country.

Mr. Temporary Deputy Chairman, Sir, a lot has been said about the manufacturing sector and, although raw materials and imports have been reduced in terms of duty, I think something ought to be done to save the collapsing manufacturing sector. A lot of jobs are being lost by way of retrenchment, but we are not trying to look for the root cause of the problems within that sector. The original problem emanated from liberalisation where the

Government agreed to embark on a liberalisation process that was initiated by the World Bank and not everything that the World Bank and the IMF bring into this country is applicable. I think one of the biggest problems of the World Bank and IMF was to have introduced liberalisation. In a developing economy, which has not developed well enough to be stable to be able to compete effectively with the outside world, we should sometimes refuse to agree to some of these policies because they are not opportune and right for this country. Liberalisation is one of them which has caused havoc in the manufacturing sector, and that whatever amount of reduction of duty we embark on, that sector is still going to continue to suffer. It is high time the Government reintroduced controls in some of these areas so that our people can be safe in terms of employment and also creation of wealth in this nation.

Currently, a lot of companies are closing down, factories have closed down and some of the industrialists are now making an exodus into other countries because the country is not offering the right and proper enabling environment for trading. This is very serious. So, the Minister may try as much as he can to save some of these manufacturing sectors, but I do not think he will be able to achieve a lot.

Looking at the same sector, you will see that a sector like the textile sector has been one which has been the hardest hit, but I think the problem should be looked at from a backward integration process whereby we are looking at the origin of some of the problems in the textile industry. We have not been able to harness, for instance, the cotton industry which would have in turn offered cheaper yarn to sustain the textile industry. We have ignored the cotton industry, which falls under the agricultural sector. This sector is very important and it should be looked at. Cotton growers should be encouraged to grow the crop because they help in the distribution of wealth to the grassroots level. Other than reducing tax on yarn, I think the most important factor is to motivate the cotton farmer to grow the cash crop.

Mr. Temporary Deputy Chairman, Sir, it is unfortunate that the brains of this country are not being motivated. The Minister has decided to do away with exemption of duty on imported cars for lecturers. I would like to say that the lecturers in this country are some of the most lowly paid when they compare themselves with their contemporaries in other countries. That is why you find most of the doctors taking flight to countries like South Africa, Namibia, Swaziland, Botswana and others, where they are better remunerated. We should encourage our lecturers to hang around and work in this country. To do so, the Ministry should reconsider waiving duty on the small cars that they import. That is the only way they can make an extra shilling. I do not care about the other cadres of civil servants, but the "brain" of this country should be encouraged to help our up-coming young people in the universities. Our young people at the university should be taught by good brains, otherwise, we will have second-rate professors from India and other Asian countries, who have no brains at all. These are left-overs when the good brains from the local universities are discouraged, and they take flight elsewhere.

The Minister is trying to encourage importation of timber. What is the root cause of the problems in the timber industry? I think there has been a lot of laxity in the Ministry in charge of the Forestry Department. I think the Minister who is in charge of that Department should be sacked. He does not do any useful job for this country. He is a let-down, he is a total disgrace and he has left people to cut down trees in forests without control. In fact, that Minister should be sacked and replaced with a good person who can do a good job. I would like to say that growing of *marijuana* on Mount Kenya is rampant. He has made the rivers to dry up as a result of careless cultivation along the riverbeds and things like those. Really, that Minister has failed. I cannot remember who he is, but--- Who is he?

Hon. Members: Mr. Nyenze!

Mr. Kariuki: Mr. Temporary Deputy Speaker, Sir, I do not even care to know him because he is a disgrace to Kenyans.

We should encourage Kenyans to grow trees and harness the few trees we have in our forests. I would like to say that trees in forests should not be harvested at the expense of allocating plots to well-connected individuals. We are doing our country and posterity a lot of harm by not harnessing the few forests we have in this country. I think the challenge is on the Government to ensure that our forests grow unperturbed.

On Excise Duty on petroleum products, I think the Minister categorically said that the extra Kshs2 levied on these products would be met by oil companies. Immediately the Minister made this statement during his Budget Speech, oil companies increased the price of petroleum products. This meant that whatever the Minister was saying here was just mere words. This is because the Kshs2 rise was passed over to the consumer the following day. This is not what the Minister intended to do. I wonder why the Minister made that pronouncement knowing very well that it could not hold water. The Minister should always weigh his words. He should not give Kenyans false hope, that the extra Kshs2 will be met by oil companies. Otherwise, oil companies are also misbehaving. There ought to be a way of monitoring the amounts of profit they make because most of them are multinationals except a few companies which are owned by one of our very good friend on the other side of the House. This hon.

Member has virtually ended up owning about half of the petrol stations in this country. Most of them are located in toilets, like the one at the corner of Uhuru Highway and Waiyaki Way. This is a disgrace! I think the Minister and his company should set a good example not to grab land at the expense of Kenol and Mobil Oil Company.

Thank you very much, Mr. Temporary Deputy Chairman, Sir. I beg to support.

The Assistant Minister for Transport and Communications (Mr. Keah): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this [**The Assistant Minister for Transport and Communications**] opportunity so that I can also contribute to this debate on the Committee of Ways and Means. This is basically the time when we consider ways and means of raising revenue in order to bridge the financial gap contained in the annual Estimates.

The financial gap is large, and I do realise that the Minister has to balance between raising revenue, encouraging and enhancing investment so that the economy can grow. In this respect, I would like to commend the Minister for detailing, as he has, the various measures that are to be taken in order to raise revenue which will go a long way in bridging over Kshs8.3 billion deficit that he enumerated in the Budget Speech.

In my contribution, I would like to make a couple of observations of a general nature before I come to specifics. My contribution on a general nature is that there is need, first, for efficiency in tax collection. We hear in the corridors of the business community that if we could manage our tax correctly, the Kenya Ports Authority and the Customs Department are adequate to provide enough revenue both for Recurrent and Development Expenditures. I would like to urge the Kenya Revenue Authority (KRA) to continue reviewing its collection measures at the Customs Department to ensure that there is efficiency and effectiveness in tax collection. Again, through the business community corridors, we hear that we are only collecting as much as 40 per cent of our taxes.

Although I cannot verify that allegation, it is, indeed, one which should be of interest to the authorities in the KRA.

The other general observation I would like to make is that stiff penalties are, in fact, a deterrent to tax collection. I would like the KRA to look at the tax penalties imposed with a view to perhaps reducing them and making them palatable for people to pay their taxes. There should be some incentives given to people who pay their taxes on time. They should collect taxes rather than impose huge penalties which are, indeed, scary, very deterring and make people find ways and means of avoiding paying them.

I have mentioned about efficiency and effectiveness in tax collection and excessive penalties. I would like to say that we should not milk or kill the goose that lays the golden egg. While taxation should be equitable, you cannot continue to squeeze the people who are employed. These are the people who pay the Pay-As-You-Earn (PAYE) as far as the Income Tax is concerned. We should spread the net to cover all Kenyans so that we can collect this tax from as many Kenyans as is practicable.

On the Customs Duty, indeed, I do welcome the removal of duty on raw materials for manufacturers. This duty has been reduced from 5 per cent to zero per cent, and those that were at a higher rate to 5 per cent. I would like to propose that the entire duty on raw materials should be removed. This will assist us to jump-start the manufacturing industry and the economy.

Secondly, I would like to comment on Customs Duty. Our development has hinged on contributions by charitable organisations and I want to support that donations like computers, equipment and so on, to charitable organisations be duty-free. I support this because we are trying to alleviate poverty, particularly in the rural areas. There are many philanthropists in this world who are willing to give but to ask them to pay duty on their donations, I think is indeed, an anathema. I am glad the Minister has come to this assistance.

Mr. Temporary Deputy Chairman, Sir, in so far as the VAT is concerned, charging VAT on rental houses is indeed innovative. But whereas he will collect tax and revenue, I am afraid it will be passed on to the tenants who can ill-afford increased rental rates. This will cause a real problem in so far as poverty is concerned. It will contribute to poverty rather than eradicating it. But I want to commend him for that innovation and I wish there were a few new ones. Before my time comes to an end, I will suggest one more new way and means of raising revenue.

On the Income Tax, the relief that has been given on the Personal Income Tax is very welcome. But I would suggest that, that relief should be increased to cover wages of Kshs15,000 or thereabouts. I think he was trying to be generous but he could have been a little bit more generous.

Mr. Temporary Deputy Chairman, Sir, let me also touch on an item that can bring revenue to this country if only we can develop that particular industry. Other people have talked about cotton, coffee and tea industries which I do well support. But coming from Kaloleni, I will not stop mentioning the fact that the development of the coconut industry, which Kaloleni Constituency depends, on will add more revenue to the coffers of the Treasury. I would urge the Ministry of Agriculture and Rural Development and the Ministry of Trade and Industry to find it possible to develop the coconut industry. By developing the coconut industry, we will extract revenue out of it. At

the moment, there is nothing that comes out of the coconut industry simply because it has been neglected for many years. I want to state that this is a source of revenue to the Treasury.

In so far as Presumptive Tax is concerned, tax on gross income is basically wrong. It should be tax on net income.

With those few remarks, I beg to support.

Dr. Ochuodho: Thank you, Mr. Temporary Deputy Chairman, Sir. Looking at the Speech, especially the taxation measures in so far as they affect the agricultural sector, I find very little to celebrate about. I take, for instance, the cotton industry. Whereas one would think that by reducing import duties to zero per cent as a raw input it would promote the manufacturing sector, I am left wondering whether this is really in the interest of the cotton growing industry itself. One would have thought that if we wanted to promote our industry especially our agricultural sector, that we would make it very difficult to import cotton as a raw material. Currently, about 80 per cent of the cotton that is used is imported into this country from Tanzania. I thought the priority of the Government would be to ensure that we reduce that amount of importation of raw cotton which we can produce here. It is in this context that I find it a bit difficult. Either there is something I am not understanding or those Government officials do not seem to be getting things right. I would have thought that instead of reducing Import Duty on raw cotton, they would increase it so that we encourage local production of cotton.

Mr. Temporary Deputy Chairman, Sir, in that context, I am also hoping that the Government will find ways of promoting the growing of cotton as a cash crop. What we have seen over the past one year, in the part of the country where I come from; Nyanza, there were two cotton ginneries. Instead of the Government refurbishing and reviving the cotton sector; which was part of the co-operation package; things have gotten from bad to worse. Even the ginneries that we had have since been auctioned. I want to call upon the Government to find serious ways of truly assisting our farmers. Looking at the Budget, there is not much indication that the Government really wants to promote the agricultural sector.

I want also to turn my attention to the sugar industry. I believe, unlike many others, that if we had our policies right, we have the potential not only to produce enough sugar for our needs, but also for export. But we do not seem to be doing much to promote the production and use of sugar within the country. For example, why are we not using the Sugar Development Fund, which we are told currently has over Kshs5 billion, to bail out Miwani and Muhoroni Sugar Factories? On the one hand, the Government is saying that this is a Budget that was friendly to industrialization and that we are trying to promote the manufacturing sector. How do we promote our industries when we put Miwani and Muhoroni under receivership? At the time, the Minister said this was "protective receivership", but last week he was on record to have said that he does not see chances of Miwani and Muhoroni being salvaged. When some of us on this side said that no single Government company has ever gone under receivership and survived, we were dismissed by the other side. That includes Members of my own party. How come we are not salvaging Miwani and Muhoroni? Farmers around Miwani and Muhoroni were told that within two weeks, they were going to receive Kshs8 million to pay off the farmers and workers. Several months down the line, this has not happened. What is happening? Are we really serious that we want to promote our agricultural sector, or we are just saying it for public consumption?

Mr. Temporary Deputy Chairman, Sir, I will now touch on the tobacco sector. The Government collects about Kshs7 billion from the tobacco industry. So, really, that is an industry we cannot ignore. But what do we plough back? I happen to come from an area where tobacco is grown. Just as we have levies such as the sugar levy, we should also introduce a tobacco levy. I am not proposing that we tax tobacco consumers more. Out of the Kshs7 billion that we over-tax tobacco consumers annually, a certain amount of money should be ploughed back to assist tobacco farmers by putting up infrastructure such as roads, which are in a terrible state in that area, and also providing health insurance.

Those who handle tobacco are aware of the health hazards that accompany it. Rumour has it that the British American Tobacco (BAT) Kenya Limited may be considering to relocate to Uganda. I think there is need to have in place some mechanism to safeguard farmers against unforeseen happenings. Of course, it may not be known for sure whether the BAT is thinking of pulling out of the country. We need to ask ourselves why they may be pulling out of the country. It is because the cost of investing in this country is too high due to corruption, dilapidated infrastructure and insecurity. These are issues the Government has failed to address adequately.

I will now address the issue of Value Added Tax (VAT). Nobody will deny that the general VAT rate in this country is too high. I would have hoped that the Minister would have considered reducing our tax rates, a number of them having been increased in last year's Budget. It seems that, no matter how heavily we tax Kenyans, there are very few benefits to show for it.

Mr. Temporary Deputy Speaker, Sir, I must welcome the removal of duty on condoms. It is in that regard that I would like the *East African Standard* newspaper to correct its report that I attempted to block debate on the

Industrial Property Bill that we passed here recently. On 14th June, 2001, the newspaper reported: "Attempts by Rangwe MP to block the debate was defeated". I have a copy of the HANSARD for that day. Never did I oppose the Motion for Adjournment so that we could continue debating the Industrial Property Bill. In fact, the HANSARD reports that I said I would be the last person to oppose the Motion for Adjournment so that we could discuss the Industrial Property Bill to commence.

I only said that the Chairman of the House Business Committee, who is also Leader of Government Business, needed to apologise for not having brought the necessary amendments earlier. So, for the purposes of record, and recognising the fact that I am very close to members of my family, who are heavily involved in the campaign to access generic drugs, I should appeal to the Press to accurately report the proceedings of this House. So, for the purposes of record, I would like to say that I never attempted to block the discussion on the Industrial Property Bill that we passed here.

Mr. Temporary Deputy Chairman, Sir, I would now like to turn to the issue of electricity. I appreciate that tax on electricity for domestic use has been zero-rated. However, we must take cognisance of the fact that the majority of rural homes do not benefit from this offer. Most households in the rural areas use kerosene and wood fuel. The Budget would have made more sense to people in the rural areas if duty on kerosene was lowered. A larger sector of our economy would have benefitted from such a gesture.

If you go through the Budget Speech, you will realise that, in an attempt to promote the local manufacturing sector, duties have been reduced with respect to inputs used by industrialists. I hope that the Minister had in mind information technology (IT) products, especially spare parts, which are also inputs. The irony in this country is that it is much cheaper to buy a completely assembled unit of, say, a computer because you only pay a tax of 15 per cent. However, if you buy spares and assemble a similar computer here, you will pay a tax of 15 per cent; that is not to mention the tax charged on labour. So, you will pay twice as much if you assemble computers locally. Computers that are assembled locally are 30 per cent more expensive than computers that are brought into the country ready-made. It is in this regard that I said I hope the Minister has also reduced duty on imported IT spare parts.

Over the years, the Minister has gradually reduced taxation on computer products, from a high of 200 per cent to 5 per cent currently. It has been my hope that, this financial year, we would do away with all forms of taxation on computer products. The Government, in the words of the Minister for Finance, seems to have recognised the essence of IT. It is in this regard that I hope, in responding to debate, the Minister will explain why he did not find it fit to remove the 5 per cent tax being charged on computer spare parts plus the VAT. If we believe that IT is useful for our industrial take-off, why do we not do away with all the taxes levied on computer accessories, so that IT and telecommunication products can be more affordable?

Finally, I would like to concur with the previous speaker, who took issue with the Kshs2 duty increase on petrol. In fact, if Kenyans had learnt to demand their rights, they would have taken to the streets to resist that increase. The Government has increased fuel prices too many times before.

Mr. Kajembe: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to contribute to this debate.

I would like to suggest some items the Minister should also consider for taxation. Currently, transit cargo at our ports is being kept together with cargo that is meant for local consumption, on which duty has been paid. The practice has resulted in cargo for onward transmission to Uganda, Burundi and Rwanda finding its way into the local market. If transit cargo finds its way into the Kenya market, the Government cannot tax it. So, I suggest that the Kenya Revenue Authority (KRA) and the Kenya Ports Authority (KPA), should create separate space for the storage of transit cargo, so that it can be separated from cargo meant for the local market. This is an area where the Government is losing a lot of revenue. If the KRA and the KPA cannot do that, the Minister should consider imposing a certain tax on transit cargo. In this area, the Government has been losing a lot of revenue.

The Kenya Electricity Generating Company (KENGEN) has adequate equipment with which to treat sea water to make it fit for human consumption. Time has come for the Minister to consider advising KENGEN to do that. The Corporation has all the equipment it requires for that purpose; it need not buy any extra equipment. If that is done, sea water will be useful to Kenyans countrywide. It will be used for irrigation purposes.

Mr. Temporary Deputy Chairman, Sir, I do not think there is adequate mechanism for the administration of taxation on the crude oil that comes into our country through the Port of Mombasa.

Mr. Temporary Deputy Chairman, Sir, there are instances where a full tank of 20,000 litres of petrol is not taxed. Sometimes they only pay tax for 10,000 litres of petrol. This is because we have never had proper mechanisms to levy tax on oil products from vessels that dock at our Port. This is one area which the KRA should look into and seal all loopholes and make sure tax is paid. Oil companies have become very rich because they evade paying taxes. None of them has gone under receivership because of the rampant corruption in this

sector.

Mr. Temporary Deputy Chairman, Sir, another issue I would like to talk about relates to [Mr. Kajembe] nightclubs in this country. We have a number of nightclubs in this country, especially in urban areas. Since prostitutes who go to those nightclubs pay some money to their owners, maybe, as a measure to reduce prostitution in this country, they should all pay VAT to the Government.

Mr. Muite: On a point of order, Mr. Temporary Deputy Chairman, Sir. Is it in order for Mr. Kajembe to say that only women prostitutes should pay this tax when he knows very well that there are men prostitutes who sleep with them? When will men prostitutes pay this tax?

Mr. Kajembe: Mr. Temporary Deputy Chairman, Sir, I am saying that all prostitutes, both men and women, must pay this tax. This is because they do a lot of business in those nightclubs.

Mr. Obwocha: On a point of order, Mr. Temporary Deputy Chairman, Sir. Is the hon. Member in order to impose taxation on an illegal activity? Prostitution in Kenya has never been legalised. These fellows, whether women or men, are engaged in an illegal business. Therefore, we cannot tax people who are engaged in illegal business. Theirs is a *magendo* business!

Mr. Kajembe: Mr. Temporary Deputy Chairman, Sir, the prostitution business in nightclubs in urban areas is very official because those clubs are licensed by this Government.

Mr. Obwocha: On a point of order, Mr. Temporary Deputy Chairman, Sir. We need direction from the Chair because this is a legal matter. Prostitution in Kenya is illegal. Could we have some guidance from the Chair?

The Temporary Deputy Chairman (Mr. Manyara): Mr. Kajembe, are you also suggesting that even robbers should pay VAT even if theirs is a criminal activity? It is a criminal offence under the Penal Code.

Mr. Kajembe: Mr. Temporary Deputy Chairman, Sir, robbery is a severe offence. However, nightclubs are areas where people go for leisure. I am only suggesting that they should pay tax because they do a lot of business in those nightclubs.

Mr. Temporary Deputy Chairman, Sir, this country needs to revive the big farms we inherited at the time of Independence. Nobody is doing serious farming in those farms. The KRA should liaise with the Ministry of Agriculture and Rural Development and identify some parts of the country where they can do farming on a large-scale, so that we become self-sufficient in food production. If we could do large scale irrigation in this country, we would have enough food for domestic consumption and a surplus for export and earn foreign exchange. For example, Bura Irrigation Scheme and other schemes meant for food production have all gone to the dogs. They failed because some people were out to sabotage the economy of this country. There is need to harness rain water for irrigation.

During the *El Nino* rains, most countries harvested water and stored it for future use in their farms. They now use that water to do irrigation. However, nothing was done in this country. We should always be harvesting water during the rainy seasons so that we can use it during the dry seasons. Why should we now lament that our economy is declining because of drought? It is a shame for this country to go on begging sprees for food every time there is drought. We should be self-sufficient in food production.

Mr. Temporary Deputy Chairman, Sir, there are ships that dock at our Port and they pay taxes. However, there are small vessels used by fishermen who do not pay tax.

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

Mr. P.K. Mwangi: Mr. Temporary Deputy Chairman, Sir, thank you very much for giving me this opportunity to contribute to these taxation proposals as presented by the Minister for Finance. If there is anything that has destroyed the economy of this nation, it is the high taxation rate. It is not favourable at all to the business community. As I said when I was contributing to the Budget Speech, many Asians have fled this country because they do not make any profits in their businesses. They have gone to America and other countries where conditions for business are favourable. If this Government wants to increase job opportunities in this country, then it must review some taxation measures proposed here. Those measures are very frustrating to the business community. Although Kenyans are highly taxed, we do not see any development at the grassroots level. Some people see taxation as a raw material to enrich themselves.

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

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

Mr. Temporary Deputy Chairman, Sir, collection of taxes in this country is very poor. It is only a small fraction of our population that pays taxes. We should enhance collection of taxes so that we include everybody who earns a living even through self-employment. Since more than 50 per cent of our population are poor and students are not able to do their homework because their parents cannot afford kerosene, I urge this Government to zero-rate kerosene. Because this Government has failed to provide electricity to rural areas, then it must zero-rate kerosene so that our people can afford it. This will give our students a chance to do their homework.

Mr. Temporary Deputy Chairman, Sir, I would like to urge the Minister to zero-rate taxation on kerosene, and at the same time check small filling stations which have been opened up. These filling stations should be checked because some of them are mixing kerosene with petrol. This country is incurring enormous losses because you cannot buy a vehicle and run it for more than one year after using adulterated fuel. The Minister should make sure that stations which adulterate fuel are checked. At the same time, I urge the Minister to reduce taxation on diesel in order to encourage farmers to do their work in an orderly manner in order to make profits.

Mr. Temporary Deputy Chairman, Sir, there is one issue here on which I would like to make a few comments. Value Added Tax (VAT) has been affecting people down to the grassroot level and in a very dangerous way. The VAT is not giving people a chance to construct good houses and to be clean because when VAT was increased to 18 per cent people could not afford to buy certain commodities like soap and cement. We need to reduce VAT on essential goods, especially those used day in, day out, if we want Kenyans to lead a better life.

Mr. Temporary Deputy Chairman, Sir, the penalties imposed on those who fail to pay VAT are very high. When one fails to remit returns by the set date, he is fined Kshs10,000. For example, if you fail to remit VAT returns by 20th October, which is a public holiday and you take it on 21st, October, then you are charged Kshs10,000. That is not fair. The penalty should be reduced to encourage people to pay VAT.

On the proposal that businessmen should maintain stock records; considering that some of the businessmen in the rural areas have not yet known how to write even their own names, but due to sheer luck, they have been managing their businesses very properly, this requirement will be quite cumbersome for them. The Ministry should look for ways and means of assisting the rural people to engage in business.

With regard to miscellaneous fees, I will comment on one issue. The single business permit that was introduced two years ago has been affecting the business community adversely because it has been misused by the local authorities. People who own kiosks have been told to pay more than Kshs3,000 and the business they are running cannot make profit worth Kshs3,000 a month. This issue should be checked because, if you allow it to continue, those people who are not strong enough economically will not remain in business. Otherwise, this single business permit is being misused and, therefore, ways and means should be sought to make those permits work more better.

The other issue is on the decentralisation of rates on land. I propose that, because there was a time when title deeds were effected at very high rates, for instance in Murang'a--- Even today some people still own title deeds, but if you go to the Ministry of Lands and Settlement offices, you cannot get a card. In order to encourage our people to be checking their land records now and then, let these records be taken to the divisional level so that when the people appear before the land control boards, they will pay the rates there. After all, that money will go to the Government.

There is another issue where the Government can raise revenue through tax. For a long time Kenyans have been crying about corruption on our roads. I propose that, in order to reduce corruption and accidents, we should have instant fines charged on overloaded vehicles. If you visit Mariakani Weigh Bridge, Athi River Weigh Bridge and the other one at Ruiru, you will find that, if a lorry exceeds its load capacity by a tonne, these people take Kshs2,000 bribe per tonne. It is better for the Government to impose instant fines because this will reduce high rates of accidents. It will also create another avenue for collecting revenues.

With these few proposals, I support the Motion.

The Temporary Deputy Chairman (Mr. Musila): Very well. I will now call upon the Minister to reply.

QUORUM

Mr. Muite: On a point of order, Mr. Temporary Deputy Chairman, Sir. I would like to draw the attention of the Chair to the fact that there is no quorum in the House. I want the Minister to reply when there is a quorum.

The Temporary Deputy Chairman (Mr. Musila): Very well. I order that the Division Bell be rung.

(The Division Bell was rung)

The Temporary Deputy Chairman (Mr. Musila): Order! There is a quorum now. I now call upon the Assistant Minister to reply.

Proceed, Mr. Arap-Kirui.

An hon. Member: Where is he?

The Temporary Deputy Chairman (Mr. Musila): Where is he?

(Mr. Arap-Kirui rushed to the microphone)

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Thank you, Mr. Temporary Deputy Chairman, Sir. The Motion before this House is for the approval of various tax proposals for the financial year 2001/2002. These proposals were, in fact, reflected in the Budget Speech, and because they were drawn from the Budget Speech, most hon. Members, have, in fact, more or less continued with the debate on the Budget Speech. In my response, I will mainly limit myself to those issues that touched on the proposals before the House. This is to avoid repeating myself, because we have already responded to the debate on the Budget Speech.

I think we need to realise one or two things. First, taxation is more or less, a balancing act. You have to collect revenue and, at the same time, you have to find ways and means of ensuring that it is least painful not only to the economy but also the taxpayer. Thus, taxation may not be an enjoyable thing, but it is a very necessary one. Listening to some of the speeches, I would like to thank those hon. Members who have contributed generally, particularly those who have also at the same time made proposals of ways---

Mr. Michuki: On a point of order, Mr. Temporary Deputy Chairman, Sir---

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Chairman, Sir, if the hon. Member could let me go on, I will do it in my own way. I am making general comments before I address the specific issues.

The Temporary Deputy Chairman (Mr. Musila): Just address the Chair!

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Thank you very much. He knows that I should be addressing the Chair but he would like me to address him instead!

The Temporary Deputy Chairman (Mr. Musila): Just ignore him.

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Chairman, Sir, as I was saying, I would like to thank hon. Members who have contributed to the debate and, specifically, those who have, in fact, gone out of their way to propose areas which we could consider for future taxation. We shall give that due consideration and, when the time comes, we shall certainly do that.

There have been concerns about the Presumptive Income Tax on farming revenue. That matter has been debated endlessly, but we would have expected hon. Members to appreciate that this time, we have made a very singular innovation where we have allowed the farmers an option, if they do not wish to pay Presumptive Tax. This is because we have got to appreciate that all Kenyans, as much as possible, should pay tax on their income and if a farmer believes that he has not made any income, or profit in his operations, then, we suggest strongly that, that farmer adopts the option we have given; of filing a tax return, and then, the farmer will not be expected to pay the Presumptive Tax. On the other hand, we appreciate that some farmers may not wish to go to the extent of preparing accounts and filing returns. So, we have introduced that provision of 2 per cent of Presumptive Tax, which is not a lot of money. It is also presumed that, within reason, it will be about the right tax to charge. I think we have gone out of our way to try and facilitate the payment of tax by the farmer with the least pain to that farmer.

There has also been concern about the VAT on the rental income on commercial buildings. One thing to emphasize on is that, this is not a general tax on all rents. First, it is on commercial properties, and second it is confined to rents above Ksh3.6 million a year, so that we are looking at fairly substantial businesses. I think it is time to reason that if an individual is earning this level of income, it is reasonable that this individual be expected to pay tax. It is also to be understood that the VAT is tax on consumption so that, in fact, at the end of the day, to the business people, that tax is recoverable where the individual is paying as import tax.

Mr. Temporary Deputy Chairman, Sir, I am mindful of the fact that I have to be addressing you. These are facts we need to bear in mind and it is not at all aimed at suppressing or, in any way, diminishing the efforts of the real estate industry. I think we have to go back to that general comment that I made earlier; that, in order to raise revenue, we have to do a balancing act, and that is one of those balancing acts that we have to do.

Mr. Michuki: On a point of order, Mr. Temporary Deputy Chairman, Sir. Is it in order for the Assistant

Minister to propose that, with regard to the VAT, he should be giving us options when, in fact, everything is carrying the VAT and we have no option left? He wants us to eat air, or buy air! This is because everything we buy has the VAT. We have no option.

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Chairman, Sir, I always wonder why when Mr. Michuki sees me standing, he also has to stand to say something. You will agree with me that, that was not a point of order. If I may continue---

The Temporary Deputy Chairman (Mr. Musila): Continue, Mr. Arap-Kirui. The fact that I kept quiet means that he can come to his own conclusions.

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Thank you, Mr. Temporary Deputy Chairman, Sir. The issue of lowering of duties on raw materials is another [**The Assistant Minister for Finance and Planning**]

balancing act. Members are of the view that, by lowering duties on raw materials we are affecting some of our own industries. On the other hand, mention has been made about cotton and one or two other products. The target of these moves is to try and revive our manufacturing industries. This is where we have to balance between the primary producers and the manufacturer. The positive impact that is likely to result in a manufacturing industry will more than offset any losses that may occur to the primary producers.

Taxation proposals and activities are also issues that we do look at from time to time. When the time comes, we shall make appropriate adjustments as necessary. We have also had several contributions from Members suggesting that the agricultural sector was neglected. This is not the case. There are various proposals within the Budget in support of the agricultural sector. Also, over time, various important steps have been taken to assist the agricultural sector. These include zero-rating of imports, importing farming machinery free of duty and so on. Maybe, we should be looking at the marketing sector. Here again, the Government is going out of its way to shake up various marketing organisations like what we have done recently in the tea and coffee industries. We are also looking at the issue of sugar. Through this we expect to revive and maintain the health of our farming community and the economy of this country.

As mentioned previously, the measures spelled in this year's Budget are sharply focused on economic recovery, poverty alleviation and the reduction of unemployment. Kenyans must, however, contend with the fact that the available prescriptions, including those that have been reflected in the Budget, do not work overnight. In time we shall see the improvement in our economy.

With those few remarks, I beg to move.

(Question put and agreed to)

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Chairman, Sir, I beg to move that the Committee doth report to the House its consideration of the proposals relating to Customs Tariff, Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of account 2001/2002 and its approval thereof without amendments.

(Question proposed)

(Question put and agreed to)

(The House resumed)

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

REPORT

APPROVAL OF TAXATION MEASURES

Mr. Musila: Mr. Temporary Deputy Speaker, Sir, I beg to report that the Committee of Ways and Means has considered the proposals relating to Customs Tariffs, Excise Duty, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of account 2001/2002 and approved the same without amendments.

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

The Assistant Minister for Finance and Planning (Mr. Marrimoi) seconded.

(Question Proposed)

(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Imanyara): Hon. Members, it is now time for the interruption of business. The House is, therefore, adjourned until tomorrow, 5th July, 2001 at 2.30 p.m.

The House rose at 6.05 p.m