

# NATIONAL ASSEMBLY

## OFFICIAL REPORT

Tuesday, 2nd July, 2002

The House met at 2.30 p.m.

*[Mr. Deputy Speaker in the Chair]*

### PRAYERS

### ORAL ANSWERS TO QUESTIONS

*Question No.282*

#### ALLOCATION OF FUNDS TO AIDS CONTROL COMMITTEES

**Mr. Deputy Speaker:** Order! Before you ask your Question, I had, in fact, directed that this Question be dropped. I will not accept Members missing Parliament because they have gone to carry out other duties. Our first responsibility is for business in this House. However, because you are a conscientious Member, I will allow you to ask it.

**Mrs. Mugo:** Thank you, Mr. Deputy Speaker, Sir. I had submitted a written request asking for this Question to be repeated.

**Mr. Deputy Speaker:** Ask your Question!

**Mrs. Mugo** asked the Minister of State, Office of the President:-

- (a) whether he is aware that Dagoretti Constituency has never received reimbursement of the cost incurred to inaugurate the Constituency's AIDS Control Committee;
- (b) whether he is further aware that no funds have been given to the Constituency AIDS Control Committee for public awareness and training;
- (c) what criteria was used to determine the amount of money to be allocated to various constituencies; and,
- (d) why the funds have not been released and what he is doing to have the funds released in order to activate the operations of the Committee.

**The Minister of State, Office of the President** (Mr. ole Ntimama): Mr. Deputy Speaker, Sir, I want to seek your indulgence and say that in the next ten to 15 minutes, I will be ready to answer the Question. I just came to show my face so that it does not appear that there is no Minister from the Office of the President.

*(Laughter)*

**Mr. Deputy Speaker:** I will come back to it later.  
Next Question, Mr. Sungu!

*Question No.161*

#### DEATH GRATUITY PAYMENT TO MR. OTIENDE'S DEPENDANTS

**Mr. Sungu** asked the Minister for Finance when the Pensions Department will pay death gratuity to the dependants of the late Mr. Barrack Ondiek Otiende, Ref.No.APN/PC 97868.

**The Assistant Minister for Finance and Planning** (Mr. Marrimoi): Mr. Deputy Speaker, Sir, I beg to reply. I confirm that the death gratuity in respect of the late Barrack Ondiek Otiende - Pension File No.APN/PC 97868 - was paid Kshs65,830.40 by Cheque No.145675 dated 7.11.2000, sent to Assistant Public Trustee, Kisumu to pay the dependants.

"Five Years Dependants Pension" for the period 4.4.94 to 3.4.99, was also paid on the same date (7.11.2000)

to the two widows of the late Otiende, namely Janet Manyano Ondiek - Kshs19,446.00 vide Cheque No.145603, and Grace Akinyi Ondiek - Kshs19,446.00 vide Cheque No.145602, through the District Commissioner Kisumu.

Dependants pension under the Widows' and Children's Pension Scheme was paid under pension files BPN/PC 12842 and BPN/PC 12843 to the two widows by Cheque Nos.180066 (Kshs35,182.55) and 180067 (Kshs35,182.55) dated 21.8.2001, sent through the District Commissioner, Kisumu. Payment under the scheme would cease upon death of the widows or on children's completion of full time education whichever comes later.

**Mr. Sungu:** Mr. Deputy Speaker, Sir, through you, I would like to thank the Assistant Minister for such a comprehensive answer. However, I would like to know from the Assistant Minister why it takes so long for the Government to pay these pensions to pensioners, particularly those who have passed away and whose families miss school as a result of the delay.

**Mr. Marrirmoi:** Mr. Deputy Speaker, Sir, I agree with the Member. There has been some long delays in payment of pensions, but let me assure the hon. Member that we have put in place measures to ensure prompt payment of pensions.

**Mr. Sungu:** Mr. Deputy Speaker, Sir, since there was a promise in this House, sometime back, that the Pensions Department would be computerised, could the Assistant Minister inform us when this will be done to make this work easier?

**Mr. Marrirmoi:** Mr. Deputy Speaker, Sir, apart from computerisation, the Ministry is intending to post officers to various Ministries and Departments to ensure that the process of payments to pensioners is done before even they retire. Secondly, the new Director of Pensions is doing something to ensure that the Pensions Department is fully computerised.

**Mr. Deputy Speaker:** Next Question, Dr. Murungaru!

*Question No.366*

IMPORTATION OF DAIRY PRODUCTS

**Dr. Murungaru** asked the Minister for Agriculture:-

- (a) whether he could indicate what dairy products, including quantities, have been imported into the country during the last 24 months; and,
- (b) whether he could table a list of all the importers and the intended purpose for importation.

**The Minister for Agriculture** (Dr. Godana): Mr. Deputy Speaker, Sir, I beg to reply.

- (a) I presume the hon. Member has got the answer sheet. The following table shows the type of dairy products and quantities which have been imported into the country during the last 24 months.

NO	DAIRY PRODUCT	QUANTITY (KGS)
1.	Powder Milk	5,363,897
2.	Cream	361,014.9
3.	Ice cream	336,820.3
4.	Yoghurt	70,654.3
5.	Butter	529,362.8
6.	Cheese	216,854
7.	Whey and modified whey	139,205
8.	UHT Milk	490,173.07
9.	Ghee fats and oils	34,046.1
10.	Condensed milk	61,967

(b) Mr. Deputy Speaker, Sir, the list of all the importers and the intended purpose for importation is enumerated as follows:- It is a bit long one, but I think I will read it.

The importers of powder milk are: Nestle Foods (K) Ltd; Spin Knit; Brookside; Cadbury; Dairy Comm, National Airport Services (NAS); AWAL: D - Chandul - Al K Vora; Kondike; Innscor; Koninklije; Halifax Auto---

Mr. Deputy Speaker, Sir, the list is long and I presume the---

**Mr. Deputy Speaker:** Mr. Minister, I ask you to just table it.

*(Dr. Godana laid the document on the Table)*

**Dr. Murungaru:** Mr. Deputy Speaker, Sir, from the figures the Minister has just read, it is obvious that massive dairy products have been imported into the country in the last 24 months. During the same period, Kenyan dairy farmers have not been able to market their milk locally. Could the Minister indicate why he licensed the importation of these huge quantities of dairy products while Kenyan farmers were perfectly capable of meeting those requirements?

**Dr. Godana:** Mr. Deputy Speaker, Sir, yes, I concede. Unfortunately, these massive quantities of imports took place at a time when Kenyan dairy farmers were suffering. I think the problem of the dairy industry is fairly historical and well known. But I think on a more positive note, as of now, I can say that, in order to curb excessive importation of milk powder, the Government has already increased tariffs from 35 per cent to 60 per cent. The Ministry has also constituted a task force on importation of agricultural products and commodities. The task force will, among other things, advise on the institutional arrangements and procedures for effective control of importation of agricultural goods, including dairy products. Soon after I moved to the Ministry, when I learnt about the import of 100 tonnes of milk powder, we wondered why this had to take place. When we carried out investigations, we realised that the authorization was given by the Customs officials. We are now insisting that the Ministry of Agriculture shall be the one which will give the signal as to the need or otherwise for extra supplies, in addition to what we produce locally.

**Mr. Mwakiringo:** Thank you, Mr. Deputy Speaker, Sir. Just like America on the AGOA programme, it is only 60 per cent which will come from Africa. Could the Minister tell us the percentage of all the imports in comparison to what was locally produced by our dairy farmers?

**Dr. Godana:** Well, I think the information is readily available in our Government statistics. But I must say I did not bring it since I did not anticipate this kind of question. If he wants that information, I can bring it later. But I think it is readily available even in the library in Government statistics in terms of what we produce in any one particular year and what has been imported over that period.

**Mr. Sambu:** Thank you, Mr. Deputy Speaker, Sir. From the written reply, the Minister says that the purpose of importation, particularly of powder milk, is for reconstitution during the dry period, that is January to April. Nowadays, even during the dry period, our farmers have plenty of milk which goes to waste. I would like to put it to the Minister that the purpose of the importation is for these dairy companies to suppress the prices to the local farmers by flooding the market with imported powder milk! Could he confirm or deny that the actual reason is for these companies to suppress the Kenyan dairy farmers and depress the prices?

**Dr. Godana:** Mr. Deputy Speaker, Sir, I think it will be too simplistic to explain the imports of milk powder in terms of the main players in the dairy industry wanting to suppress the price of milk. I think the reason for the importation stems in part from the fact that our powder milk factories are both closed. This is one of the sad effects of the collapse of the Kenya Co-operative Creameries. Indeed, we have already made it clear to those involved that when KCC 2000 begins operations, we will want to see them give priority to the resurrection of the powder milk factories in Kiganjo and Eldoret so as to take care of excess milk which is produced seasonally.

The fact remains that even in spite of the existing dairy producers, there are certain product lines which will require some input of powder milk, like ice-creams. But more importantly, I think it is important to note that the imports have also been abused by people who have tried to get rich quickly. I cannot rule out the unscrupulous motive of wanting to bring in cheap powder milk to reconstitute it into liquid milk.

**Dr. Murungaru:** Mr. Deputy Speaker, Sir, the Minister has said that this country produces more than sufficient milk for our needs. We know that necessity is the mother of invention. Could he tell us whether he has put any strategy in place to ensure that no milk powder or milk products are imported into the country, so that the local milk processors can be encouraged not only just to go, boil milk and package it, but also to process it and produce butter and dry it into milk powder? Has the Minister put any strategy in place to encourage the development of local capacity to cater for all the milk that we are producing? We cannot die because of drinking a cup of tea without milk for one day.

**Dr. Godana:** Mr. Deputy Speaker, Sir, if the hon. Member listened to the first supplementary question and the answer I gave, I think it has already addressed the question. I made it clear that we have set up a permanent task force which will be advising the Treasury on what agricultural commodities need to be imported and what need not to be imported. I think we are alert about this. We intend to be very rigorous in ensuring that unnecessary food or agricultural imports do not come in to flood the local market.

Mr. Deputy Speaker, Sir, having said that, let me re-emphasize what I said in my last answer before this. There are certain productlines which require certain products which have to be imported for now, for instance, milk powder. For instance, the Nestle Company which is a major manufacturer of baby foods has already complained that the blanket imposition of taxes or restrictions on imports can only impact negatively in terms of enhancing the cost of imports to our major players. We are already considering ways of singling out particular productlines. But I can

assure you that we will not allow dumping of cheap agricultural products from outside to the detriment of our farmers.

**Mr. Deputy Speaker:** Next Question, Mr. Wanjala!

*Question No.364*

IMPLEMENTATION OF AFFORESTATION  
PROGRAMME

**Mr. Wanjala** asked the Minister for Environment:-

- (a) whether he is aware that Namenya, Mwitafuru, Munjogo, Wanga and Njalagobe hills in Budalangi Constituency are gazetted Government hills;
- (b) whether he is further aware that Lake Victoria Environmental Management Programme has a component of afforestation to undertake in its area of jurisdiction;
- (c) what urgent measures he is taking to ensure that trees are planted on the said hills which are now bare; and,
- (d) how much money was allocated for the component of afforestation in the programme.

**Mr. Deputy Speaker:** Anyone here from the Ministry of Environment and Natural Resources? We will come back to the Question later.

Next Question, Mr. Shitanda!

*Question No.291*

REPAIR OF KAKAMEGA-WEBUYE ROAD

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

- (a) whether he is aware that the Kakamega-Webuye Road is in a state of disrepair;
- (b) whether he is aware that as a result, there is an average of four accidents every week leading to fatal injuries and sometimes death; and,
- (c) what steps he is taking to repair the road.

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

- (a) I am aware that the Kakamega-Webuye Road is in a state of disrepair.
- (b) I am aware that as a result, there is an average of 1.5 accidents every week leading to fatal injuries and sometimes death.
- (c) About 42 kilometres of the said road, A11, was repaired in November-December, 2001, where stabilizer based repairs, surface repairs and bush clearing operations were carried out. However, similar repair works were done on the Kiboswa-Kakamega section of the road, but rapid progress is being hampered by the on-going heavy rains prevailing in the area.

*(Dr. Godana consulted loudly  
with other Members)*

**Mr. Deputy Speaker:** Order! Order, Mr. Minister!

**Mr. Shitanda:** Mr. Deputy Speaker, Sir, it is shocking for the Assistant Minister to allege in this House that that road was repaired in November or December last year. I am sure most hon. Members have passed on that road in the last few months. We passed a law in this House which requires 24 per cent of the fuel levy to be committed to this road through the District Works Offices. In the Minister's Budget we were told that most of this money is being committed towards settlement of pending bills. Could the Assistant Minister tell this House how much money was utilised on this road during the months of November/December? Which fund did this money come from because this road has never been repaired?

**Mr. Mokku:** Mr. Deputy Speaker, Sir, during the month I referred to, Kshs1 million was allocated. This money was from the fuel levy.

**Dr. Kituyi:** Mr. Deputy Speaker, Sir, the tarmacked road from Kisumu to Webuye is 108 kilometres long. How can you maintain that tarmac road with Kshs1 million?

**Mr. Mokku:** Mr. Deputy Speaker, Sir, the road I am referring to is 42 kilometres and not 120 kilometres

long.

**Mr. Kombo:** Mr. Deputy Speaker, Sir, I think it is totally unacceptable for Ministers to stand up and honestly refer to something that does not exist. No repair has taken place on the Kakamega-Webuye Road since December. Could the Assistant Minister tell us which section and which contractor spent that Kshs1 million to repair a section of the Kakamega-Webuye Road?

**Mr. Mokku:** Mr. Deputy Speaker, Sir, I cannot say who the contractor of the road was or which part of the road was repaired because that is not part of the original Question. All I know is that we allocated money for that project. If, as the hon. Member is alleging, the work was not properly done, we shall take time to inspect and ascertain the truth of that allegation.

**Dr. Kituyi:** Mr. Deputy Speaker, Sir, are you satisfied that the question as to who contracted the road and what sections were repaired cannot be feasibly seen as part of the original Question in this instance? If, like me, you are not satisfied, could you oblige the Assistant Minister to provide an answer?

**Mr. Deputy Speaker:** Order! The supplementary question arises directly from the original Question because if the road was repaired, it could not have been done by angels. It was done by a contractor. So, Mr. Assistant Minister, you have to answer that question!

**Mr. Mokku:** Mr. Deputy Speaker, Sir, a road can be contracted or also done by the Ministry staff.

**Mr. Deputy Speaker:** Order! Mr. Assistant Minister, you must not take these questions lightly. If that road was repaired, it must have been done by a contractor. Hon. Members want to know the name of that contractor and which section of that road he repaired. Those are direct supplementary questions from the original Question. If you are not ready to answer the questions they have asked, say so and we can defer this Question.

**Mr. Mokku:** Mr. Deputy Speaker, Sir, I said it was not part of the original Question and actually I do not have the answer to those two supplementary questions.

**Mr. Deputy Speaker:** The Question is deferred to Thursday.

*(Question deferred)*

Mrs. Mugo's Question for the second time!

*Question No.282*

ALLOCATION OF FUNDS TO  
AIDS CONTROL COMMITTEES

**Mrs. Mugo** asked the Minister of State, Office of the President:-

(a) whether he is aware that the Dagoretti Constituency has never received reimbursement of the cost incurred to inaugurate the Constituency's AIDS Control Committee,

(b) whether he is further aware that no funds have been given to the Constituency AIDS Control Committee for public awareness and training,

(c) what criteria was used to determine the amount of money to be allocated to various constituencies, and;

(d) why the funds have not been released and what the Minister is doing to have the funds released in order to activate the operations of the Committee.

**The Minister of State, Office of the President (Mr. ole Ntimama):** Mr. Deputy Speaker, Sir, I beg to reply.

(a) I am aware that the Dagoretti AIDS Control Committee has not received funds because it has not submitted its launch returns for reimbursement.

(b) I am aware that no funds have been given for public awareness and training. However, each committee has been advanced Kshs45,120 for every quarter for the running expenses.

(c) The Kshs45,120 advanced to each Constituency AIDS Control Committee for every quarter was determined by the Government at the time of designing the project.

(d) Operations at the community level are expected to be carried out by NGOs and CBOs working within those communities. Constituency AIDS Control Committees are supposed to co-ordinate such activities. The National AIDS Control Council has put in place a financial management agent to allow smooth flow of funds to NGOs and CBOs whose proposals will be funded upon approval.

**Mrs. Mugo:** Mr. Deputy Speaker, Sir, I can now see that the Minister was not ready at all to answer this Question. It is not quite true to say that Dagoretti Constituency did not submit their launch returns for reimbursement,

because we did so in writing. We have called several times asking for the same, but we were told to wait. So, it is not true. I hope the Minister will at least tell us where that money went to. On part "c" of the Question, I am asking what criteria was used to determine the amount of money to be allocated to various constituencies. Some constituencies have already received over Kshs400,000 for mobilisation and the running of their affairs, but Dagoretti has never received a cent. Are you telling me that the World Bank did not think that Dagoretti deserves to get any funds although AIDS is a national disaster? Dagoretti is a constituency in the city where the rate of poverty is high, and AIDS has a close relationship with poverty. That is why I am asking what criteria was used to determine that Dagoretti does not deserve to get even a cent? Is this part of the money that has been corruptly acquired?

**Mr. ole Ntimama:** Mr. Deputy Speaker, Sir, I would like to seek your permission for you to agree to defer this Question until Thursday so that I can bring in a proper answer. I requested for 15 minutes to go through the Question because I had not seen the answer and I do not know where it is now. I will sit on it to see that I bring a proper answer on Thursday.

**Mr. Deputy Speaker:** At least you are being honest. The Question is deferred to Thursday.

*(Question deferred)*

Mr. Wanjala's Question for the second time!

*Question No.364*

IMPLEMENTATION OF AFFORESTATION  
PROGRAMME

**Mr. Wanjala** asked the Minister for Environment:-

- (a) whether he is aware that Namenya, Mwitafuru, Munjogo, Wanga and Njalagobe Hills in Budalang'i Constituency are Government gazetted hills,
- (b) whether he is further aware that Lake Victoria Environmental Management Programme has a component of afforestation to undertake in its area of jurisdiction,
- (c) what urgent measures he is taking to ensure that trees are planted on the said hills which are now bare; and,
- (d) how much was allocated for the component of afforestation in the programme.

**Mr. Deputy Speaker:** Is there anyone from the Ministry of Environment and Natural Resources here? Mr. Wanjala, I have no choice but to defer your Question.

**Mr. Wanjala:** Mr. Deputy Speaker, Sir, this is the second time this Question is being deferred. It is a very serious Question that involves Kshs130 million that has not reached the people who are supposed to use it. There is collective responsibility in the Cabinet and that Ministry has got three Ministers and five Assistant Ministers.

**Mr. Deputy Speaker:** Order! I take it that you are now answering your Question, therefore, there is no need to defer it.

**Mr. Wanjala:** Mr. Deputy Speaker, Sir, you should defer it to Tuesday, next week.

**Mr. Deputy Speaker:** The Question is deferred to Tuesday, next week.

*(Question deferred)*

**QUESTIONS BY PRIVATE NOTICE**

UTILIZATION OF NATIONAL DISASTER FUND

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

- (a) What is the correct amount held by the Government in the National Disaster Fund?
- (b) How much has the Government utilised from this Fund to assist the victims of the fatal landslides in Giumpu Village, Abogeta Division in South Imenti Constituency?
- (c) What plans does the Minister have for resettling the persons whose homes, land and property were destroyed by the landslides?

**The Assistant Minister, Office of the President (Mr. Kochalle):** Mr. Deputy Speaker, Sir, I would like to

ask the House to defer this Question because we do not have any answer to this Question.

**Mr. Deputy Speaker:** Repeat that again!

**The Assistant Minister, Office of the President** (Mr. Kochalle): Mr. Deputy Speaker, Sir, I just want to ask the House to defer this Question because by the time I left my office, I had not received a written reply to this Question and also the officer concerned was not around. I beg that the Question be deferred.

**Mr. Deputy Speaker:** Order! This House does not know if there is somebody else from whom we should be getting answers to Questions from this House from. The House holds you responsible for answering this Question, and I cannot afford to be deferring Questions by Private Notice because that kills the whole idea of having them. You will have to answer this Question tomorrow afternoon.

**Mr. Murungi:** Mr. Deputy Speaker, Sir, this Question had come before this House on two previous occasions. The first time when the Question came up, they asked for the Question to be deferred. On the day that they were supposed to come and answer it - last week - they were not in the House. I have reason to believe that the Assistant Minister is deliberately running away from answering this Question. Under the Standing Orders, I beg to move that---

**Mr. Deputy Speaker:** Order! I have already deferred this Question to tomorrow afternoon. When the Minister comes, we will expect him to answer it. If he does not, then, we will take the next appropriate action.

**Mr. Murungi:** This is the third time!

**Mr. Deputy Speaker:** Order, Mr. Murungi! As you know, if you persist along those lines, I will say that this Question has outlived its time; that, it has ceased to be a Question by Private Notice. So, you had better allow me to do it the way I am doing it.

*(Question deferred)*

Next Question, Mr. Chege Mbitiru.

#### ARMED ROBBERIES IN MARMANET

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

(a) Is the Minister aware that on the 12th April, 2002, armed gangsters terrorised villagers in Marmanet, shot two people dead, raped several women and stole goods worth thousands of shillings?

(b) Could he confirm that over the last two years, at least 20 lives have been lost in the area as a result of armed robberies?

(c) How many people have been apprehended for the atrocities meted out by thugs in the area?

**Mr. Deputy Speaker:** Is Mr. Mbitiru not here? The Question is dropped! Next Question, Mr. Gitonga.

*(Question dropped)*

#### CAUSE OF MR. MUIRU'S DEATH

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

(a) Could the Minister inform the House the circumstances that led to the death of Mr. George Muiru of Uplands on or about 19th May, 2002?

(b) Was a postmortem carried out on the body of Mr. Muiru, and if so, what were the results?

(c) What immediate action does he intend to take against those individuals who were responsible for Mr. Muiru's death?

**The Assistant Minister, Office of the President** (Mr. Kochalle): Mr. Deputy Speaker, Sir, for the second time, I am very sorry for not having the answer to the Question. May I ask you to defer the Question again so that I could go and look for the right answer to this Question?

**Hon. Members:** No! No!

**Mr. Gitonga:** Mr. Deputy Speaker, Sir, I find it rather awkward because this Question, although it is by Private Notice, has been with the Office of the President for the last two weeks. Now, the Assistant Minister says that he has no answer. It is rather strange.

**Mr. Deputy Speaker:** Well, if the Assistant Minister does not have a reply, there is nothing that I can do

about that. But I want to say this: It seems that a culture of taking the House Business lightly has crept into this House. This is not the first time that we are complaining of a Minister or an Assistant Minister not being present to answer a Question. I believe that I represent the views of hon. Members when I say that the Office of the President should set the example. If a Minister or an Assistant Minister from the Office of the President comes to this House and he is not ready to answer the Question--- Suppose the Speaker was not ready to come and sit in the Chair, where will we be?

*(Applause)*

So, Mr. Assistant Minister, I will, again, defer this Question to tomorrow afternoon. This time round, this Question must be answered because it is you and not your staff who should prepare an answer to a Question because it is you we will hold responsible. So, be advised.

**Mr. Gitonga:** Mr. Deputy Speaker, Sir, would I not be in order to move that the Minister be named because of his failure to answer these Questions?

**An hon. Member:** You have already set the ruling!

**Mr. Deputy Speaker:** Order! I have already made a ruling, but more importantly, if there are three Ministers from the Office of the President, which one will we name? Unless we are told who holds what portfolio, it will be unfair to name just one. If an hon. Member wants to do that, I will ask that all the Ministers and Assistant Ministers in the Office of the President be named.

*(Laughter)*

*(Question deferred)*

Next Question, Mr. Norman Nyagah.

#### RECRUITMENT OF KENYANS FOR NON-EXISTENT JOBS

**Mr. N. Nyagah:** Mr. Deputy Speaker, Sir, I beg to ask the Minister for Labour the following Question by Private Notice.

(a) Could the Minister state whether the recruitment of 50,000 Kenyans through Al Najat Marine Shipping LLC exists and further table the terms and conditions of service for the recruits including basic pay and related allowances?

(b) Could he undertake investigations as to the involvement of the following companies and individuals in the said recruitment:-

- Five local employment agents;
- Kenya United Arab Emirates Embassy Official, Mr. Ibrahim Mohamed;
- Former Acting Director of Employment, Mr. G.H.U. Odenyo;
- Dr. Pravin Patel of Park Road Nursing Home; and
- Mr. Mohamed Ali Pasha, a U.K. citizen and resident of United Arab Emirates?

(c) What action has he taken against the people mentioned in (b) above?

**The Minister for Labour** (Mr. Ngutu): Mr. Deputy Speaker, Sir, I beg to reply.

(a) The Government has investigated and established that the 50,000 cruise shipping jobs advertisement by the Al-Najat Marine Shipping LLC do not exist.

Since the jobs are non-existent, the terms and conditions of service for the promised jobs cannot, therefore, apply.

(b) The Government is currently undertaking thorough investigations on all those involved in the recruitment.

(c) Once investigations are completed, appropriate action will be taken against those involved and are found to have committed offences under the law.

**Mr. N. Nyagah:** Mr. Deputy Speaker, Sir, if you look at part (a) of my Question, it is very specific; it is not negotiable. It asks for tabling of terms and conditions because the work still continues and Al-Napasha continues to communicate - write and telephone - to Kenyans saying that the airlifts are going to be done this coming month of August. Should the Minister not lay on the Table the terms and conditions under which this recruitment was to be done? I will take him on from there.

**Mr. Ngutu:** Mr. Deputy Speaker, Sir, that was not part of the Question. If he wants me to lay on the Table the terms and conditions of service, then, I will do so next week. I have to go and bring the terms and conditions of



service.

**Mr. Deputy Speaker:** Order! In fact, that is what part (a) of the Question asked.

**Mr. Ngutu:** Mr. Deputy Speaker, Sir, since the jobs do not exist, then, why give the terms and conditions of service?

**Mr. Deputy Speaker:** Order, Mr. Minister! I think you are arguing your case backwards. These jobs were advertised, and they must have been advertised with their terms and conditions of service.

*(Applause)*

Even if now the jobs have eased to exist, those terms and conditions of service must still exist. You should lay them on the Table!

**Mr. Ngutu:** Mr. Deputy Speaker, Sir, I am sorry I did not bring along with me the terms and conditions of service. I beg that I am allowed to bring them next week.

**Dr. Ochuodho:** Mr. Deputy Speaker, Sir, whereas I am tempted to believe that the Minister and the Government do not have the capacity to prove the authenticity of these jobs or otherwise, could the Minister disqualify himself from the investigations? This is because I think we should start by investigating the Minister. I want to lay on the Table two documents - one signed by the then Permanent Secretary, and that implicates the Ministry---

**Mr. Deputy Speaker:** There is no Question before the House for you to lay on the Table anything whatsoever!

**Dr. Ochuodho:** Mr. Deputy Speaker, Sir, I thought we are talking about this Question. This may help the Minister in doing his work.

**Mr. Deputy Speaker:** Order! I will defer this Question. When it comes up next time, then, you can stand up and make your point by laying on the Table those documents.

**Dr. Ochuodho:** Mr. Deputy Speaker, Sir, I thought you gave me a chance. That is okay then.

**Mr. Keriri:** Mr. Deputy Speaker, Sir, are you satisfied that the Minister is in order to say that he did not come with the requirements of this Question when he can read the Question and understand its contents? He went to school and he can read. Is he in order to say that he did not come with the terms and conditions of service when he can read from the Question the details that were asked for?

**Mr. Deputy Speaker:** Order, hon. Members! Yes, Mr. Minister.

**Mr. Ngutu:** Mr. Deputy Speaker, Sir, it appears, from what the hon. Members are saying, that they already know more than they are required to hear today. This is because they have got papers which they were not supposed to possess. That is the position, but I agree that I will answer that Question on Tuesday next week after I get more details - full details - on the terms and conditions of service of these people because it is possible that certain information may not be with us here.

**Mr. N.M. Nyagah:** On a point of order, Mr. Deputy Speaker, Sir. You have heard the Minister say very clearly that some of us have got some documents which we are not supposed to have. Is he in order to insinuate that I have some documents which I should not have? I have got some documents here which contain the terms of service, in case the Minister wants any help. Is the Minister in order to insinuate that I have some documents which I should not have?

**Mr. Deputy Speaker:** Order! I think the Minister is not in order because this is a public issue. Maybe, the document you have is a newspaper cutting. But in any event, on an issue such as this, where members of the public are invited to apply for jobs, there is no confidentiality. So, Mr. Minister, you will answer this Question on Tuesday, next week!

*(Applause)*

Let us move on to the next Question!

**Mr. O.K. Mwangi:** Thank you, Mr. Deputy Speaker, Sir. Before I ask this Question, let me say that I have received a copy of the written answer which has not been signed by the hon. Minister, Mr. Kenyatta. Because of the falsehoods in the copy of the written answer, I would like to ask the Minister to sign it, so that he can be held responsible for it.

**Mr. Deputy Speaker:** If the copy of the written answer is not signed, then it is not a reply!

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, therefore, I have not received any reply because the copy of the written answer I have has not been signed.

**Mr. Deputy Speaker:** Order! I have a reply which is signed and I will surrender it to you!

Mr. O.K. Mwangi, ask your Question!

MISMANAGEMENT OF MARAGWA COUNTY COUNCIL

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, I beg to ask the Minister for Local Government the following Question by Private Notice.

(a) Has the Minister completed the investigations into the financial mismanagement of the Maragwa County Council he instituted in March this year, and what were the findings?

(b) Is he aware that the Clerk and the Chairman to the County Council, in an attempt to destroy valuable evidence of massive corruption, broke into the council offices on the night of 20th/21st May, 2002, and took away records and equipment of unknown value?

(c) Is he further aware that the Clerk paid Kshs5 million as rent for an incomplete and unsecured building owned by the Chairman and his uncle, 30 kilometres away from the District Headquarters, in the name of relocation of offices?

(d) Who gave the authority for moving offices from a free public office to a rented incomplete building and payment of Kshs5 million in good will?

**The Assistant Minister for Local Government (Mr. Kiangoi):** Mr. Deputy Speaker, Sir, I am sorry if the hon. Member did not receive a copy of the signed answer. In fact, that ought to have been my copy. I had a copy of the signed answer for him, and I think there was confusion when these copies were being given out.

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

(a) The Minister has not instituted investigations into the financial mismanagement of Maragwa County Council as alleged by the hon. Member. However, an ordinary routine inspection was carried out, but it did not reveal any financial malpractices.

(b) I am not aware that the Clerk and the Chairman of the County Council, in an attempt to destroy valuable evidence of massive corruption, as alleged, broke into the council offices on the night of 20th and 21st May, 2002, or on any other day and took away records and equipment of unknown value.

(c) I am not aware of the alleged expenditure of Kshs5 million to rent council offices. However, I am aware that the council has leased 12 complete and secure offices for use by the county council at the rate of Kshs25,000 per month. The council has paid Kshs300,000 being the lease rent for 12 months ending on 31st May, 2003. The decision to rent the offices was arrived at by the council's Finance and General Purposes Committee during the meeting held on 28th May, 2002. The decision was adopted by the full council on the same day. The building is leased from a local entrepreneur, who is not the Chairman of Maragwa County Council. I am not aware whether or not the entrepreneur is an uncle to the Chairman of Maragwa County Council.

(d) A full council meeting of Maragwa County Council decided, through a resolution, to relocate its offices from Kigumo Market to Kenol. This decision was recorded under Min.11/2002 of the full council meeting held on 22nd May, 2002. This followed the decision arrived at by the Maragwa District leaders meeting held on 9th April, 2001 to relocate the district headquarters from Mariira to Kenol.

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, I am very surprised by the manner in which the Assistant Minister has misled this House. First, no council meeting was held on 22nd May, this year. I have some documents here to prove that a notice had been issued for a meeting to be held on 22nd May, 2002. This meeting was going to discuss the relocation of the offices. When the councillors went to attend the meeting, they found a hand-written notice which directed them to meet at Kenol and inspect the site. This meant that the matter had not yet been discussed and the offices had been relocated on the night of 20th and 21st May, this year. Therefore, I do not know what I should say about the answer the Assistant Minister has given this House. This is because he is deliberately misleading the House.

Does the Clerk and the Chairman of Maragwa County council run the Ministry of Local Government? This is because the answer the Assistant Minister has read in this House must have come from the Clerk and the Chairman of this county council. These two officials have taken over the running of the Ministry of Local Government! On the payment of Kshs5 million, I have got some documents here written by some councillors who were not party to this decision. I would like to table these documents.

*(Mr. O.K. Mwangi laid the documents on the Table)*

**Mr. Deputy Speaker:** What are you tabling those documents for?

**Mr. O.K. Mwangi:** Mr. Deputy Sir, these documents were written by the councillors who were not party to this decision.

*(Mr. O.K. Mwangi took the documents to the Chair)*

**Mr. Deputy Speaker:** Order!

**Hon. Members:** Lay them on the Table!

*(Laughter)*

**Mr. P.K. Mwangi:** On a point of order, Mr. Deputy Speaker, Sir. The Question which has been asked by Mr. O.K. Mwangi touches on the leadership of Maragwa District. Would I be in order to ask Mr. O.K. Mwangi to substantiate his allegation that Kshs5 million was misappropriated? This is because this Question is misleading.

**Mr. Deputy Speaker:** Order! This is not the Maragwa County Council Hall, but the Chamber of the Kenya National Assembly! So, we shall discuss only business or Questions put before the House properly.

Mr. O.K. Mwangi, I will not accept the first part of this document because it was only typed. It has not been stamped and has no address. I cannot allow people to meet in Maragwa, type their own things and bring them here as evidence.

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, that is a letter written to the Permanent Secretary by the councillors.

**Mr. Deputy Speaker:** Order! Do you mean that those councillors do not have an address?

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, I believe they have written their addresses at the end of the letter.

**Mr. Deputy Speaker:** I cannot accept this document, but I will accept the copies of letters to it.

**Mr. Kiangoi:** Thank you, Mr. Deputy Speaker, Sir. Indeed, what you have wisely ruled on is the true position because I have minutes of Maragwa County Council meeting held on 22nd May, 2002. I would like to table them later on because I am still using them to answer this Question. No town clerk, county council clerk or chairman will be allowed, or has been allowed previously, to run the Ministry of Local Government. We are in charge. Maragwa County Council officers are Ministry officials. But as far as the full council meeting minutes are concerned, it is only the council Clerk who can supply them to us. It does not mean that his answer binds us. I have gone into great depth in trying to find out what took place. Maragwa District headquarters is at a place called Mariira. Other department headquarters, such as that of the Ministry of Health offices, are in Maragwa Township, 40 kilometres away and others are in other places. The issue has not been decided to finality. The local leaders have been asked to decide on the location of the district headquarters. The leaders meeting resolved that Maragwa District headquarters should be at Kenol Township, and the county council has only moved there in advance. Should the district headquarters be decided to be elsewhere, indeed, the county council offices will be moved to that place. The council has removed its officers from the premises it occupied previously to rental offices at a place called "Kangari". Therefore, the county council has not moved from free premises to rental premises. This should be understood by the hon. Member.

**Mr. Parpai:** Mr. Deputy Speaker, Sir, the Assistant Minister has said that there was a Finance and General Purposes Committee meeting on 28th May, 2002, and on the same day, a full council meeting was convened. He is very well aware that Cap.265, the Local Government Act, requires mandatory notices of these meetings to be given.

How was it possible that notices of the two meetings were given on the same day? I expected the Assistant Minister to have come here to say that this was decided upon in a special full council meeting.

**Mr. Deputy Speaker:** Order, Mr. Parpai! If you want to tell us about your knowledge of local authorities business, you should issue a memorandum.

Mr. Assistant Minister, could you answer the question? How was it possible for the two meetings to be held on the same day?

**Mr. Kiangoi:** Mr. Deputy Speaker, Sir, the full council meeting is normally not a creature of the Finance and General Purposes Committee. I have not said that notices had not been issued previously.

**Mr. Deputy Speaker:** Eng. Toro, do you come from that district?

**Eng. Toro:** Mr. Deputy Speaker, Sir, I am an interested party in this issue. The answer by the Assistant Minister to part "a" of the Question, that no audit team was constituted is misleading. Last year, I asked a Question on this issue and the Assistant Minister undertook to send an audit team to investigate the council, latest by February this year. He did exactly that. The audit team finished its work.

Is the Assistant Minister not misleading the House by saying that the audit team has not finished its work? The audit report has been given to a Mr. Mwangangi, a Senior Principal Personnel Officer, who is scrutinising it,

instead of the document being given to Mr. Abdi, the Director of Local Government Inspectorate. The Assistant Minister should be aware of the fact that the Clerk to the County Council---

**Mr. Deputy Speaker:** Ask your question! You have already asked the Assistant Minister why the audit report was given to Mr. Mwangangi instead of Mr. Abdi.

**Eng. Toro:** Mr. Deputy Speaker, Sir, is the Assistant Minister aware of that fact?

**Mr. Kiangoi:** Mr. Deputy Speaker, Sir, I wish to answer by informing the hon. Member that there is a difference between extra-ordinary inspections done under Section 231 of the Local Government Act and investigations and researches done under Section 245 of the Local Government Act. I have already said that what was undertaken was just a routine inspection measure. I said:-

"However, an ordinary routine inspection was carried out, but it did not reveal any financial malpractice".

This should be distinguished from investigations that I have underlined above.

**Mr. O.K. Mwangi:** Mr. Deputy Speaker, Sir, as to whether or not there was a full council meeting that decided on the relocation of the council offices, I have a notice which called a meeting to be held on 22nd May, 2002. That meeting never took place. The full council meeting, that the Assistant Minister said took place on 22nd May, 2002, was convened after the relocation of the council offices.

I have a notice here which was issued to inform the councillors that the meeting was not to take place at the council offices. Could the Assistant Minister, therefore, tell us how the council offices were relocated before the meeting had taken place?

**Mr. Kiangoi:** Mr. Deputy Speaker, Sir, a meeting took place and minutes show that a meeting was held on 22nd May, 2002. It took place.

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

**Mr. Deputy Speaker:** Order! Look at the clock. He will not have time to answer all your questions.

**Mr. Murathe:** Are you satisfied with the Assistant Minister's answer?

**Mr. Deputy Speaker:** I am not satisfied with a lot of things, but I am satisfied that we are approaching Zero Hour.

*(Mr. Murathe stood up in his place)*

If hon. Members are not satisfied with the answer given by the Assistant Minister I have advised, on many occasions, that they should move a Motion under Standing Order No.18

## POINT OF ORDER

### STATE OF FOOTBALL IN KENYA

**Mr. Imanyara:** On a point of order, Mr. Deputy Speaker, Sir. You will recall that, about four weeks ago, I sought from the Minister for Heritage and Sports a Ministerial Statement regarding the state of football in this country. As we celebrate the win of Brazil, for which I am sure this House congratulates the Brazilians, when can we expect this Ministerial Statement from the Minister for Heritage and Sports, now that this is a sporting season and Kenyans have been waiting for it?

**Mr. Deputy Speaker:** Is there anyone from the office of the Vice-President and Ministry of Home Affairs, Heritage and Sports? The Leader of Government Business, or the KANU Whip, I hope you will ensure that the Minister is informed that he still owes this House a Ministerial Statement on the state of football in this country, which he undertook to give.

## COMMITTEE OF WAYS AND MEANS

*(Order for Committee read)*

*[Mr. Deputy Speaker left the Chair]*

### IN THE COMMITTEE

*[The Temporary Deputy Chairman]*

*(Mr. Muturi) took the Chair]*

## MOTION

### APPROVAL OF TAXATION MEASURES

**The Minister for Finance** (Mr. Obure): Mr. Temporary Deputy Chairman, Sir, I beg to move: THAT, the proposals relating to Customs Tariffs, Excise Duties, Value Added Tax (VAT), Income Tax, Miscellaneous Fees and other taxes contained in the Financial Statement for the year 2002/2003 be approved.

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

Mr. Temporary Deputy Chairman, Sir, as I mentioned during the Budget Speech, the economy began to recover in the year 2001 where it grew by 1.2 per cent after the unprecedented negative growth of 0.2 per cent in the year 2000. The recovery, though modest, is a positive indication that our economy is beginning to turn around after a continued decline since 1995.

There is need to double our efforts in order to strengthen and sustain our economic recovery. We must do this in order to achieve the theme of this year's Budget which is "Efficient Resource Mobilisation and Utilisation for Accelerated Economic Recovery."

Mr. Temporary Deputy Chairman, Sir, this theme will be achieved by continued implementation of prudent economic policies under the difficult but necessary political and economic reforms. Our success depends on a disciplined and efficient mobilisation of domestic resources. The Government needs to collect the necessary revenue through the various tax proposals brought before this House. The Government needs this revenue to sustain economic recovery by providing the infrastructure, enabling environment, improving productivity and providing services as well as creating employment and providing measures that will lead to poverty alleviation.

Mr. Temporary Deputy Chairman, Sir, our economic recovery requires us to take decisive action to realise the full potential of our manufacturing sector. We all recognise that there is tremendous potential which has not been fully exploited. We believe that we must exploit this potential in order to achieve our overall goals of sustaining the growth momentum. I believe that we shall achieve this by removing the various factors which contribute to the high cost of doing business, the high cost of production which makes our manufactured products uncompetitive both in our region and the international market. We are determined to support the manufacturing sector by eliminating Customs Duty rates on all raw materials which are not produced locally. As you may be aware, all raw materials previously taxed at 3 per cent and 5 per cent respectively, will now have zero Customs Duty. In addition, we must reduce to zero, duty rates on all capital equipment previously taxed at 3 per cent and 5 per cent respectively. Furthermore, in order to protect the manufacturing sector from competition by cheap imports, I have proposed an increase in duty rates on finished products to 35 per cent.

Mr. Temporary Deputy Chairman, Sir, you will have noticed the other various measures I outlined, which are necessary for the revival of our textile industry and cotton production in particular. In order to revive and support the ailing textile sector, and in order to increase our benefits under the African Growth and Opportunity Act (AGOA) arrangement in the United States of America market, I have proposed the removal of VAT on all cotton ginning and textile manufacturing machinery. Furthermore, in order to encourage the revival of cotton ginning factories, taxes on all supplies of taxable goods and services to these factories have also been removed. These remissions and exemptions have been grossly misused and abused in the past. There is need to streamline and eliminate some exemptions in order to protect Government revenue and stop the rampant abuse of these privileges.

Mr. Temporary Deputy Chairman, Sir, jlast year, the Government removed a number of Duty remissions, rationalised others and confined some to needy cases only. This year, we have rationalised further Duty remissions in line with our partner states in the East African Community. We believe that by removing direct Duty remissions and instead providing additional Budget provisions to cover all taxes payable, we shall eliminate abuse and protect Government revenue.

In addition, I have also specified monetary limits for tax remissions in respect of motor vehicles imported by senior civil servants, Judges, university lecturers and professors. This, in my belief, will make the system more equitable since officers of the same grade should be able to enjoy the same level of benefits.

Mr. Temporary Deputy Chairman, Sir, as you all know, the cost of energy is high in Kenya and adds significantly to the cost of production in all sectors. For our goods to be competitive, we need to lower the cost of energy to producers. For this reason, I have reduced Excise Duty on all residual fuels, generally referred to as fuel oils or furnace oils, used for energy generation, boilers and furnaces by 50 per cent. These are the same oils used to run certain other factories in the rural areas, including tea factories. I believe that this measure as expected, should be able

to achieve lower cost of energy and help make our products more competitive.

Mr. Temporary Deputy Chairman, Sir, in order to increase the value of our exports and to create jobs, we need to process our raw materials and export processed goods. It is in our national interest to discourage the export of raw hides and skins. I would like to encourage the processing of hides into leather and leather products for export. I have, therefore, introduced a development levy of 20 per cent on raw hides, skins and scrap metal in order to encourage the processing of these materials in Kenya. I expect this measure to assist in the revival of the existing tanneries and makers of leather products locally. The recycling of scrap metal will reduce the importation of steel and also create local jobs for our people.

Mr. Temporary Deputy Chairman, Sir, we all know that we have a very narrow tax base. Quite a large number of our population does not fall within the tax bracket. We need to bring certain sectors into the tax bracket. We need to bring more businesses into the culture of paying taxes to be able to contribute meaningfully to development and service delivery. I have reviewed the minimum annual sales threshold for VAT registration from Kshs3.6 million per year to Kshs3 million. That is a turnover of Kshs300,000 a month to Kshs250,000 a month. I have also removed sales turnover limit for registration of taxable services rendered by professionals. In the same spirit of broadening our tax base, we have increased the rate of Withholding Tax from 2 per cent to 10 per cent in case of consultancies and agency fees and to 5 per cent in the case of contractual fees. This will widen our tax base and enhance our revenue collection.

Mr. Temporary Deputy Chairman, Sir, a major worry for our economy as a whole relates to the low rates of savings which we have achieved over the years. Kenyans save very little indeed! We cannot finance our development projects with low levels of savings as this means low levels of capital formation. To encourage savings, collective investment schemes set up by employers, on behalf of employees, will be exempted from income tax. We want to encourage these investment schemes to invest in shares traded in Nairobi Stock Exchange (NSE). We would also like to encourage companies to list their shares in the NSE. In order to give companies an additional incentive, with effect from 1st July, 2002, which was yesterday; any newly listed company with an initial listing of, at least, 30 per cent of its share capital, will be subjected to a lower corporation tax rate of 25 per cent for a period of five years.

The Government is committed to helping improve the welfare of workers. We would like to encourage employers to provide meals to their employees at their work place. This is why I have also allowed the expenditure incurred by the employer on account of meals, provided to all categories of employees within the premises to be tax deductible. I believe this measure will encourage employers to provide decent meals to their employees and improve the welfare of workers.

Our local producers have been, for a long time, highly disadvantaged through unfair competition from dumping of foreign goods in our markets and the introduction of counterfeit goods. This has been a rampant problem and one which has negatively affected jobs in this country and which has cost this economy very dearly. We need to strengthen the role of the Kenya Bureau of Standards (KEBS) to give it the capacity to control imports of counterfeit goods, as well sub-standards goods. This is why I have proposed the increase of the penalty to Kshs500,000 and a daily penalty of Kshs20,000, for anyone found guilty of dealing in counterfeit goods. I want to assure the Chair that every measure will be taken to ensure that procedures relating to counterfeit goods are strictly adhered to and, in that way we eliminate from our midst and our economy, this menace of counterfeit goods.

Mr. Temporary Deputy Chairman, Sir, some players in the insurance industry have been offering insurance services without complying with the provisions of the Insurance Act. In order to encourage this type of operators, I have increased the penalty to Kshs200,000 for persons caught dealing with or carrying out insurance business without registration or the necessary authorization. The Commissioner of Insurance has the powers to deal with people who are conducting insurance business without complying with the provisions of the Insurance Act, and this additional measure is intended to give him the teeth that he needs to enforce the Act.

Mr. Temporary Deputy Chairman, Sir, I have just mentioned, but a few of the proposals contained in this year's tax proposals. My intention is to show the rationale, in fact, the thinking behind some of the tax proposals. Hon. Members will have the opportunity to address these and other specific measures, when the Finance Bill is brought before this House. We have pledged to run our Government without budget support from the donors. We have to mobilize the commitment of all taxpayers to enable the Government collect adequate revenues. I wish to appeal to hon. Members in this august House for their full support and co-operation so that we can pull together in a constructive manner, in order to achieve our national development objectives.

With those remarks, I beg to move.

**The Minister of State, Office of the President** (Mr. J. Nyagah): Mr. Temporary Deputy Chairman, Sir, I beg to second the Motion.

What my colleague, the Minister, has said today and explained over the last few weeks makes a lot of sense for this country. The steps he has taken in terms of Custom Tariffs; Excise Duties, VAT, Income Tax and other taxes,

makes a lot of sense. For example, in order for us to be competitive as clearly stated, and for us not to lose an important COMESA and an East African Community Market, it has become necessary to zero-rate the raw materials for our industries. This is a step which industries have welcomed. All we need to do is to look at the news papers and see the words of praise my colleague has received, in so far as improving our industrial base and preparing it for the future in this particular market is concerned. So, I would like to thank him again.

With those remarks, I support the Motion and second what my colleague, the Minister, has said.

*(Question proposed)*

**Mr. Keriri:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to the Motion on the Financial Statement.

If the Minister's Financial Statement were to be supported and implemented in the spirit he has stated, I think the Minister has tried his best, and he is moving in the right direction.

*(Applause)*

We have got to speak the truth when there is truth and when it is not there, we say it is not there!

Mr. Temporary Deputy Chairman, Sir, the Minister started by expounding the theme of his budget proposals by saying that he wants to follow an efficient resource mobilization. One hopes that the Minister will do exactly that. In the current year, and in the past, efficient resource mobilization theme has not been followed. One wonders how the new Minister for Finance is likely to do that which has not been done before. For example, money voted for roads in the Ministry of Roads and Public Works has been collected; the fuel levy has generated, nearly over Kshs8 billion in the last one year, and those resources have not been spent efficiently! Even if one admitted that some allocation has been made and some reimbursements have been effected, has the money been spent efficiently? No! Our roads are wearing out as soon as they are rehabilitated! As soon as we have made major re-sealing or re-carpeting of a road--- If you go there the following year, you will find the road is worn out. If you go all over Kenya, you will see the same thing. That is not efficiency!

Mr. Temporary Deputy Chairman, Sir, last year we all agreed that we shall have 16 per cent of Fuel Levy Fund money allocated to constituencies, 24 per cent for district zones and 60 per cent to the Ministry, for the maintenance of major roads. So far - the Minister has been repeating this, time and again - the only money that we think has had part of it allocated and disbursed is the 16 per cent meant for constituencies. Although the Minister for Roads and Public Works has been telling us that this money has been disbursed, in my own district we have been using this money to maintain roads under categories A,C and D, because we cannot let them collapse. We cannot get access to most parts unless we pass the main roads. So, we have been spending that money on the roads that are supposed to be maintained by the Ministry of Roads and Public Works. I hope, when the Minister will be replying, he will tell us where that money allocated to the Ministry goes to. That is not efficient resource mobilisation.

Mr. Temporary Deputy Chairman, Sir, as I said earlier, I think the Minister is moving in the right direction, and his measures with regard to the manufacturing industry are commendable. I am glad he has agreed to zero-rate in the duty on raw materials and capital goods. That is most welcome, because employment in this country only depends on industrialization. If this can encourage more industrialization, I think it is welcome. The removal of VAT on textiles is also welcome. If it is done efficiently, it should assist the textile industry which has collapsed. Last weekend I was in Eldoret Town, and I noticed that Ken Knit, Raymond Mills and Rivatex have all collapsed. The buildings are still standing there like monuments. We used to employ on the basis of those industries, but now it is a pity. They have collapsed because the same Government that the Minister represents, has let Kenyans down. I hope that more measures will be taken to revive the textile industry. It is the only hope. Asians employ most of their people in the textile industry. I would like to thank the Minister for moving in the right direction.

Mr. Temporary Deputy Speaker, Sir, the removal of duty on most of the items in order to encourage industrialization is welcome, especially because most of our industries have failed due to dumping and the importation of *shenzi* goods into the economy. I am sure the Minister went to school and understands Kiswahili, since it was one of the subjects he sat and passed in school.

**The Minister for Energy** (Mr. Raila): On a point of order, Mr. Temporary Deputy Chairman, Sir. Could the hon. Member help the House by explaining what he means by *shenzi* goods?

**Mr. Keriri:** Mr. Temporary Deputy Chairman, Sir, I do not have to explain what I mean to these gentlemen who went to school for more than 20 years, unless they cheated us. One of them is an engineer, and he could interpret for himself. When we go out I will try to have a class and teach them part of that language.

Mr. Temporary Deputy Chairman, Sir, it is alright for the Minister to reduce duty on kerosene by more than

50 per cent. But I would like to plead with him, that the whole of that duty should be abolished. Most of the industries are falling because of lack of energy. The amount of money the Minister collects, by keeping 50 per cent, is not enough to necessitate keeping the other 50 per cent, because the tax you may have to collect from profit made by that industry may be more if used to compensate for abolishing that particular duty altogether.

If you encourage industries to grow, there is going to be more money which the Minister can tax. He should think about abolishing the whole lot. I know he is trying to conserve revenue - I could probably do the same - but we should look ahead more than one year, so that if we encourage them this year, next year we are likely to collect more money through Income Tax and Corporation Tax. The Minister should think of that important aspect.

Mr. Temporary Deputy Chairman, Sir, there is something the Minister has done which, to me, looks rather petty. Everybody has been complaining in this country that communication is hindering industrial growth. We have mobile telephones with two operators which everybody would use because the landlines are not usable. But only when the service is picking up, the Minister comes up and imposes tax. I think this is unfair.

We are also talking about a Budget to help Kenyans, and then the Minister imposes tax on kerosene which is used by the poor mwananchi. There is no wood fuel in Nairobi, Mombasa and other urban areas. Most people, therefore, use kerosene for cooking and lighting, since the Rural Electrification Programme has not succeeded, and yet the Minister imposes Kshs1 on every litre of kerosene. When we debate the Bill, I would like to request this House to reject that particular item completely. I hope hon. Members, who represent the poor people, will reject that item. I cannot see the sense in this tax. How far is that money going to assist towards rural electrification? In fact, it can only pay a few people.

Mr. Temporary Deputy Speaker, Sir, most people in this country, probably excluding Ministers of this Government, wear *mitumba* clothes. Before the economy develops so that people can have some money to buy new clothes, why should the Minister impose tax on *mitumba*? I think that is wrong.

Thank you for giving me this opportunity.

**The Vice-President and Minister for Home Affairs** (Prof. Saitoti): Thank you, Mr. Temporary Deputy Chairman, Sir. I am happy to contribute to this debate, which is basically about the broad means which were used by the Minister for Finance to mobilise resources, whether it is on the Customs Tariffs, Excise Duties, Value Added Tax (VAT), Income Tax, Miscellaneous fees and taxes. The issue at hand is whether, indeed, the use of these means will lead to the revival of the economy or not. At the very outset, I would like to say that the means which have been used will underpin sound fiscal and monetary policies. The means are very important in terms of stimulating the growth of the economy. I say so because the fiscal policies which manifest themselves in the various measures are intended, first of all, to ensure that the industrial sector in Kenya is able to recover and, secondly, much more importantly, our own industries will become competitive not only in Kenya, but within the region and internationally.

Indeed, we should commend the Minister for Finance for ensuring that tariffs, in cases of intermediate goods and raw materials for various industrial goods, and especially in the textile industry, have either been abolished or drastically reduced! What does that really mean? Basically, it means that when the inputs are much lower, that would mean that the cost of production will be much lower. Therefore, those manufactured goods will become cheaper and competitive. They can be able to ward off competition posed by the imported goods. That would, therefore, mean that there is going to be expansion and jobs will be created. If there is anything that we want in this country most, it is expansion of employment opportunities. We all know the difficulties that we have today. We have a very large number of unemployed people. Indeed, it is only the informal sector which is creating employment opportunities. We want to create employment opportunities in the formal sector. That can only be done by ensuring that we increase the productivity of our own industries. We can also make sure that, at the same time, we give them an edge for competitiveness. That is what the Minister for Finance has already done, and I want to commend him on that.

Mr. Temporary Deputy Chairman, Sir, as a matter of fact, the other thing that he has done is using the Income Tax and ensured that he has not penalised the corporate industry. The corporate sector has not been touched at all! If anything else, incentives have been given for more activity in the stock exchange. At the same time, I want to say that in the case of VAT, although the Minister needed substantial resources, he did not increase the VAT. If anything, he left it where it was, despite the fact that he needed resources. That, again, is being mindful of the fact that we need to protect the industries, so that they can become more competitive.

Mr. Temporary Deputy Chairman, Sir, there is an area in the case of the monetary policy, which is worth mentioning. The indicators there appear fairly positive. The interest rates are very low, inflation very low and the exchange rates are very stable. That is extremely good. We are also seeing a substantial resource in terms of foreign exchange savings. But I think we do have a difficulty, which is that the financial sector is really the engine of the growth of the economy. The industries, farmers and others need to have access to credit. But I think the situation we are seeing today is that the savers receive only 6 per cent. I hope that, that is an area the Minister for Finance will look into. He should look at how to revive the financial sector.



Thank you.

**Mr. Wamae:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to say a few words on this Motion. I would generally say that the Minister for Finance has tried to bring out a fairly reasonable Budget under the prevailing circumstances. It is good to admit when things are done in a better way than before. But he needs to look at certain areas.

For instance, and I think I have said this before, industries are the key things for this country. We are suffering from very high unemployment. We have many school leavers from secondary schools and the universities. The only way to create white collar jobs is by establishing industries. Therefore, we need to do more for industries than we have done before. Imported raw materials have become duty free. Has the Minister considered what he is going to do with industries which are buying raw materials from other industries in Kenya? If they are still going to buy raw materials with VAT, then there is no way local raw materials will compete with imported raw materials. Really, it is a loophole and we may kill our own industries which produce intermediary goods for other industries. I think that point was not covered.

Mr. Temporary Deputy Chairman, Sir, on the question of kerosene, we do not want to go back to cut trees to get fuel because it is expensive. I know you have said that you are afraid people will use kerosene to mix with diesel and, therefore, there is a loophole. But I think the other side is more dangerous. If people in the rural areas, who cannot afford kerosene, will cut trees for fuel, we are going to do more damage to our environment. I think that tax is not in the best interest of this country. I think the revenue that you are going to get does not justify the destruction that will be done to our environment.

Mr. Temporary Deputy Chairman, Sir, on *mitumba*, I would like to say that, naturally, if we are going to revive the textile industry in Kenya, something should be done on them. You need to have some duty on them. The *mitumba* clothes are responsible for the destruction of our textile industry. The *mitumba* are very cheap and, naturally, people would not buy clothes from our textile industries. Therefore, I support the idea of increasing tax on *mitumba* goods, purely to protect the textile industry. That is the only way you can protect the textile industry. There are people who are very busy collecting second-hand clothes around the world for dumping in Kenya. I think the only way to prevent that is to impose some duty on them.

Mr. Temporary Deputy Chairman, Sir, the other area which the Minister has looked at is the mobile telephones. He has realised that, that sector is growing very fast. It has grown very fast because the land lines have become impossible. The revenue you will collect, that is Kshs740 million from mobile phones, is not reflected in the Estimates of Expenditure. I think that is something that you need to look into. I know that, that is a serious omission on your part. I think you should look into that, to ensure that something is done.

Mr. Temporary Deputy Chairman, Sir, I would like to draw the attention of the Minister to the fact that we need to find out what is happening to the Fuel Levy! I am happy that the Minister for Roads and Public Works is here. Whereas we are against 15 per cent of this money, where is the 24 per cent going to? Why has nobody come up to tell us where the 24 per cent of this money is going to? This money was supposed to go to the districts to rehabilitate inter-constituency roads.

**Mr. Katuku:** On a point of information, Mr. Temporary Deputy Chairman, Sir. I would like to inform Mr. Wamae that the 24 per cent of this money is going to the KANU campaign kitty.

**Mr. Wamae:** Well. If that is the case, that is corruption which we are trying to fight all along.

**The Minister for Roads and Public Works** (Mr. W.C. Morogo): On a point of order, Mr. Temporary Deputy Chairman, Sir. Could Mr. Katuku substantiate that, that money is going to the KANU campaign kitty.

**Mr. Katuku:** Tell us where it is!

**The Minister for Roads and Public Works** (Mr. W.C. Morogo): First of all, Mr. Katuku should substantiate that, that money is going to the KANU campaign kitty.

**Mr. Wamae:** Mr. Temporary Deputy Chairman, Sir, it would have been more honourable if the hon. Minister for Roads and Public Works told us where the money is going to instead of asking Mr. Katuku to substantiate. He should have come up and told us he knows where that money is. If he does not know where the money is, because it is not going to the District Roads Committees (DRCs), where is the money?

**The Minister for Roads and Public Works** (Mr. W.C. Morogo): Mr. Temporary Deputy Chairman, Sir, we have Question Time in this House. However, none of these hon. Members has ever asked where this 24 per cent goes to. I know hon. Members will have the opportunity to discuss the Vote of the Ministry of Roads and Public Works. At that time, I will explain everything. But for now, it is unfair for Mr. Katuku to make such an allegation. I think he should not get away with it.

**Mr. Wamae:** Mr. Temporary Deputy Chairman, Sir, you know that was not a point of order. You should have pointed out to the Minister that, that is a point of argument and not a point of order.

Mr. Temporary Deputy Chairman, Sir, we need to know where that money is going to. According to the Kenya Roads Board Act, that money is supposed to go to the Districts Roads Committees to finance district projects. Now that it is not going there, we must, of course, conclude that it has been misappropriated. Here, misappropriation means that the Government has spent this money on projects not authorised. It should go to the DRC, 57 per cent should go to the roads department, 3 per cent should be used for administration, 24 per cent for the district projects and 15 per cent for constituency projects. That is what we agreed with the Government in this House. Why has this money been diverted? If it was necessary to change the provisions of the Act, then the Minister would have come to this House to amend the Act which created the Kenya Roads Board. The Minister has not come to this House with the amendment. Why has the Government misappropriated the money without the authority of this House? This is something we also hope the Minister will have the courage to tell. He should tell us where that money has gone to, since he is in charge of all Government finances.

Mr. Temporary Deputy Chairman, Sir, we need to look into the agricultural sector. We are disappointed that the agricultural sector is not being given the priority it deserves in terms of resource utilisation. Although we have agricultural extension officers, they do not move from their offices because they do not have transport. They just sit in their offices instead of visiting farmers. Something must be done to provide transport to these agricultural and veterinary extension officers. They must be mobile. If they are not mobile, their presence in district or division headquarters is not helping our farmers. I think that is one area where we need to find revenue to support agriculture and make sure that those officers meet the farmers because our farmers must get the necessary incentives.

Mr. Temporary Deputy Chairman, Sir, there is the question of the Agricultural Finance Corporation (AFC). The Minister wants to resuscitate it. We hope it will be done so that AFC can now start giving money to farmers so that they can start contributing more to the growth of this economy. But so long as the farmers have no cheap and short-term credit, there is no way they can maximise their production.

Mr. Temporary Deputy Chairman, Sir, in conclusion, the Minister has, of course, gone in the right direction. We hope next year we will move further towards the same direction so that we can sustain our economy. When all this is done, we will be able to borrow nearly 9 per cent of our GDP because we have Kshs36 billion roll-over of Treasury Bills and Kshs32 billion which we will borrow from new Treasury Bills. That is Kshs69 billion. That is a lot of money from an economy. Is the Minister sure that this will not affect the ability of the private sector which we refer to as the engine of growth? Are we giving it enough resources or shall we again increase interest rates in this country? This is something we need to look into very carefully.

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

**The Minister for Public Health** (Prof. Ongeru): Mr. Temporary Deputy Chairman, Sir, I stand here to support the approval of these taxation measures that have been brought to this honourable House.

I think it is important that any government must ensure its own ability to generate resources for various development programmes. Taxation is one of the most important avenues which the Government uses to raise adequate resources for development. When doing so, one will look at the parameters that pervade through society. Obviously, one of the most important areas that we now want to look at is expansion of the economy. In expanding the economy, you will have a net effect of creating additional job opportunities. There could never have been a better way of doing this than through the macro-enterprises.

**Mr. Michuki:** It is too late!

**The Minister for Public Health** (Prof. Ongeru): Mr. Michuki says it is too late. I think that is a dream in his mind because there was a time when I was in charge of the *Jua Kali* sector. It is on record that today, even with the most difficult conditions - we have had to go through drought and lack of flow of resources from the Bretton Woods institutions - the macro enterprises were able to sustain this country. They created more than 60 per cent of the job opportunities in this country. I think, having learnt that lesson, that is why the Minister moved very expeditiously to be able to allocate, within his taxation measures, resources that will flow towards the macro-finances. We all know it, as hon. Members of this House, that one way in which the economy of a country expands is to expand the middle level players. The medium enterprises must grow in order to create more opportunities both in terms of savings and job creation.

I think the provision of about Kshs300 million to the macro-finance industry will be an impetus to stimulate the economy. We should make sure that these macro-finances are able to trickle right down to the rural level. We have seen womenfolk in our own constituencies involved in macro-finances and they are able to generate very good programmes, sustain their homes and cater for their domestic needs. Therefore, this is a very much needed resources gap that is being covered through the provision of macro-finances. I would have even ventured to say that the Minister should have gone a step further to tax other products in order to increase the resources to the macro-finance sector itself. This is because it has a future, room for expansion and does create stability in terms of resources flow.

Mr. Temporary Deputy Chairman, Sir, one other area which has a bearing on the rural folks is the question of

rural electrification. Through these taxation measures, the Minister has been able to provide, however small it is, an amount that will at least spur the rural electrification programme which will be important for our macro-industries. Without electricity, it will be very difficult to set up macro-enterprises in the rural areas. The two of them, therefore, go hand in hand in creating jobs and fostering home stability, so as to enable families to afford some of their day-to-day requirements. Some of the funds that have been provided will be applied to the most needy members of society, mainly orphaned children. People wondered why the mobile telephone sector has been subjected to taxation. The Minister proposes that the Kshs50 million that is going to be generated from this sector will go towards orphaned children.

We have close to 1.1 million orphaned children in this country. The cost of maintaining these children is extremely high. One would have expected to see more resources allocated for the assistance of these unfortunate children, who have no hope of survival, leave alone their educational needs and disease burden. I am happy that these resources are being provided to cater for one of the most vulnerable groups in our society, namely, orphaned children.

Mr. Temporary Deputy Chairman, Sir, my contribution to this Motion will be incomplete if I do not say more about the issue of HIV/AIDS. We all know that we need substantial resources in order to mitigate against the effects of HIV/AIDS. There is the problem of stigmatisation in our society resulting from (cutaneous?) manifestation and oral lesions that appear in some of the unfortunate HIV/AIDS victims in our society. We need to speedily deal with this kind of problem.

Of course, there are drugs which pregnant mothers may require to take in order to stop mother-to-child HIV/AIDS transmission. We may require drugs which will mitigate against HIV/AIDS spread to cater for the mother and her spouse and ensure that the child is borne free of the HIV/AIDS virus. We, therefore, need substantial resources. We believe that we would need close to Kshs18 billion just to deal with the HIV/AIDS problem. However, having realised that there are not enough resources to cover this important area generously, I would have expected the introduction of some form of a levy in the tobacco industry, so as to create additional resources to cater for the HIV/AIDS scourge.

I am not in any way being punitive to the tobacco sector by making this proposal; I am just saying that tobacco is one of the major contributors towards the disease burden in this country and, therefore, a taxation to be applied to the health sector would be the most reasonable thing to do. In future, I will, therefore, push for more taxation on tobacco products, so that we can generate more resources for this country's health needs. This will boost the other income we will be raising from other sectors of the economy. Some hon. Members have spoken on the issue of industrialisation. I would like to thank the Minister for Trade and Industry for having secured, through bilateral arrangements, the African Growth and Opportunity Act (AGOA) arrangement by the United States of America (USA). This gives this nation a very important role to play in the textile industry. That is why we are placing a premium price on the textile industry, so that we can produce the cotton, the yarn, the material and the finished products for export to the American market. The American market is huge. More than 2,000 pieces are required there.

So, what is required of us is to be more pragmatic rather than spend most of our time addressing many trivial political issues that have no direct bearing on the development of this nation. I am very proud that contributors from the Opposition side this afternoon have been extremely positive. That is the way we should be going, rather than spend our time discussing issues which do not have direct benefit to the ordinary *mwananchi*. This Budget has been tailored along the premise that there will be no external resources flowing in. That should not make us very complacent but rather more aggressive, forward-looking and clearer in our thinking. The resources that have been allocated to the various sectors of our economy should be applied prudently in order to mitigate negative effects on society.

Mr. Temporary Deputy Chairman, Sir, as I was going through the Budget analysis for my Ministry this morning I noticed some areas which require more resources. These include the areas of bilharzia, kalaazar and malaria. We have a malaria epidemic spreading over some highland areas, including Nandi, Kericho and Kisii. Cases of malaria outbreak in these areas have been reported in the last two weeks; this is threatening. We, therefore, want to shift our focus and emphasis from the use of anti-mosquito treated nets to indoor residual spraying, so that we can reduce the vector, which causes so much harm and disappointment.

We should work together with Ministry of Agriculture and Rural Development to deal with the mollusc that has dealt a great blow to us in terms of systomiasis, both the variety that affects the bladder and that which affects the gut. This is an area I would like to see more resources flowing to. Any taxation proceeds applied to some of these largely preventable conditions will have the net effect of creating a healthy society.

Another area I would have liked to see more resources flow to is that of social insurance scheme. I will say more on this area when the Budget of my Ministry is discussed but I think, by and large, the taxation measures have pointed towards the right direction.

With those remarks, I beg to support the Motion.

**Mr. Michuki:** Thank you, Mr. Temporary Deputy Chairman, Sir, for granting me the opportunity to

contribute to this Motion.

In fact, the agenda is on taxation. At the very outset, I would like to urge the Minister to re-think his proposal to impose tax on kerosene. Kerosene has become an essential commodity of households, particularly households of the poor, where children must have kerosene because of the need to study at night. If kerosene is not available for evening studies in remote areas, our education will suffer. I would rather that the Minister considers taxing either cigarettes or alcoholic beverages, which are a luxury. In many homes, kerosene is a necessity. To this end, therefore, I would request the Minister to revoke his Gazette Notice No.112 of 20th June, 2002, so that there is no taxation of any kind on kerosene. Imposing tax on kerosene is being very unfair to the poor, who comprise 56 per cent of this country's population. These are people who cannot afford electricity, even if it were available. That is my first point.

Mr. Temporary Deputy Chairman, Sir, the second point I would like to make is on the Harambee spirit. You will realise that all these years, we have conducted Harambees in two areas, namely, the education and health sectors. We have been dealing with health and educational problems. They are education and health. I think 80 per cent of all those resources that have been contributed in this country go towards the solution of those problems. This is what the Minister should note. This, in effect, means that education and health are not well provided for in the Budget. If our people are not healthy and educated, and I am supporting the Minister for Public Health, we can have the rest, but it will all be useless. We must be healthy and educated. Education and health must attract the greatest provisions. It is not the Office of the President that will "eat" Intelligence Service and all that particularly where we are providing for the army and National Intelligence Security Services (NSIS) against imaginary enemies who are unlikely to be seen anywhere in Kenya. Therefore, health and education need more provisions. I hope that the Minister will take these proposals seriously because I do not see what else we can do without being healthy and educated. We are already far behind in information technology (IT) and we shall have to pay very dearly for that.

Mr. Temporary Deputy Chairman, Sir, the other point that I want to raise is that the taxation on *mitumba* is highly premature because until and unless both the cotton and textile industries are revived, then we will not go anywhere. This is because you cannot revive carcasses which have not been breathing for years. Until the cotton and textile industries are revived, to begin taxing *mitumba* now at a time when the economy is not growing, is a huge burden on the poor. Therefore, the Minister should consider proposals to remove these proposals until that time when the Minister for Trade and Industry, who is here, has resuscitated those two areas which deal with clothing and all that.

Mr. Temporary Deputy Chairman, Sir, the assistance now given to manufacturing industries, although welcome, one might say, has come too late. It is too late because we are not doing it in order to assist our own people, but in order to synchronise our affairs with those of the markets which have been created around us. Quite a number of industries have moved out of Kenya although one of them returned here from Botswana and that is Proctor and Gamble. I understand it is now back because the situation there probably is worse than what they experienced here. However, we must accept that industries have moved out of the country and, therefore, what we really need in these manufacturing industries is to ensure that our industries are competitive.

Mr. Temporary Deputy Chairman, Sir, one of the enemies of development is corruption. Corruption has been acknowledged by the KANU Government as existing in Kenya. Indeed, the treatment we are receiving in NEPAD in some areas is related to the fact that corruption is now official in this country. Unless and until we finish corruption, there will be no justice available to the poor and anybody and as far as Government services are concerned and people will take advantage of their official positions to benefit themselves. This is the greatest crime. This is the greatest abuse of trust that one should seek solace in order to exercise the powers conferred on them which are supposed to be used to assist the citizens and others in general. Therefore, this Government should seriously address corruption instead of just talking about it and we shall assist it in this exercise.

Mr. Temporary Deputy Chairman, Sir, some people say that there is corruption everywhere. Of course, there is corruption everywhere but the difference between those countries and Kenya, for example, USA and some European countries is that, yes, get corrupted, but when you are caught the law will work on you until you are finished whereas in Kenya we ignore corruption because this man is my tribesman, friend, brother, sister and so forth and so on. That is the greatest difference. It is not that we must use examples elsewhere in order to justify our inequities. Therefore, I urge that this matter be treated very seriously.

Finally, the Minister has praised the President for ensuring that we have peace, negotiations and so on, but I want to propose the following: Generosity begins at home. Let the President put the bread and butter on the tables of Kenyans by making peace with the World Bank and IMF.

I support.

**Dr. Anangwe:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to make my contributions to the Motion in relation to the taxation proposals. Let me state from the outset that it is important for the Minister to reconcile the taxation proposals with the development goals and objectives that he has earmarked for himself and the Government, particularly when on the one hand, the emphasis is on poverty reduction, but on the other

the taxation measures tend to hurt the same person that we are trying to reduce poverty from.

Mr. Temporary Deputy Speaker, Sir, for instance, yes, I agree with the argument that has been presented by the previous speaker. We are imposing taxes on *mitumba* with the presupposition being that we need to protect the textile and cotton industries. Yes, indeed, it is true that certain measures have been put in place to encourage the cotton industries, but the best approach would have been to let the cotton industry itself thrive first before you can proscribe the *mitumba*. This is because what you are going to do is to have the assumption maybe the cotton industry is going to thrive or it may not thrive because it is not just the taxation measures that will spur the industry. There are many other factors and parameters that need to spur this particular industry. Supposing they are not forthcoming on the one hand and the industry does not pick up, but on the other we have already said that anybody who wishes to buy *mitumba* will pay Kshs25 per kilo? Supposing they are not able to access the goods that have been generated by the local textile industry? That means there will be many more people who would not be able to afford the clothing that we had assumed will be forthcoming.

The other example where there is a discrepancy between a goal that we have earmarked for ourselves in relation to poverty eradication and the taxation measure that seems to exacerbate the plight of the poor is this tax on kerosene. The argument is that the Kshs600 million generated will be spent on the control of perennial floods and provide adequate water to Kenyans. That is the assumption. But on the other hand, we have made this man poorer because he will have to pay an additional Kshs1 for the kerosene that he consumes from now on. It is very important that we look at other measures that are already intended in this particular document.

The other discrepancy has to do with second-hand vehicles. The presupposition is that because we have reduced duty on imported completely knocked down kits, from 3 per cent to zero, therefore, the vehicles should be cheaper. Consequently, Kenyans must now buy cheaper vehicles instead of *mitumba*. You cannot compare the cost of new locally assembled vehicles with a *mtumba* or an imported second-hand vehicle. A new locally assembled vehicle may cost Kshs1.8 million while a good second-hand vehicle may cost Kshs350,000. So, they are not comparable. The newly assembled vehicles will still be a preserve of the rich and, therefore, those who have been prevented from acquiring second-hand vehicles, because of this additional surcharge, will graduate from driving to being pedestrians or passengers in the public transport system. This is another measure that one has really to re-examine closely and see the impact it has on poverty reduction. In my view, it is exacerbating poverty.

Mr. Temporary Deputy Chairman, the other measure has to do with imposition of 20 per cent export duty on raw hides and skins. The idea here is, of course, to create an opportunity for local industries to turn the raw hides and skins into shoes or leather products. Supposing the leather industry does not improve in order to absorb the raw hides and skins that we had assumed will be consumed by local industries and, therefore, that local exporter of raw hides and skins stays with the hides and skins here, shall we have made the life of that particular person better or worse? My presupposition is that those who used to benefit by exporting raw hides and skins will be worse off because they will not be able to export the raw hides and skins. That also relates to the 20 per cent export duty on scrap metals. Already, there has been an immediate impact. Those who have been collecting scrap metal and selling them to dealers are now unemployed. I read in one newspaper today that, in Mombasa, metal dealers have closed down their business because they think it is not worth it. For some people, collecting scrap metal may be the only means of livelihood and we see it in the streets of Nairobi, particularly the *chokoras* doing the same. I think it is important that we reconcile some of these measures with the development goals that we have.

Mr. Temporary Deputy Chairman, let me thank the Minister on the measures that he has taken in order to ease the burden on the manufacturing sector. I am sure the import duties that he has reduced on the manufacturing sector in order to enhance competitiveness will make a difference. In fact, these measures should have been taken yesterday or in yesteryears rather than now because that is what the manufacturing sector in this country has been pleading for. To manufacture effectively and be competitive, the cost of inputs has to be addressed. To the extent that now it is zero-rated, I am sure that it will make a fundamental difference. However, these measures are not enough unless we are also able to address other parameters such as the poor roads, the high cost of electricity and high interest rates. In spite of all these measures of reducing duty, the manufacturer may not enjoy any comparative advantage.

This is the right track, that we are trying to promote industrialization because for a country to be developed, one has to shift away from relying on agriculture to manufacturing. As of now, agriculture contributes about 20 to 25 per cent of our GDP and there is a limit to which the agricultural sector itself can be a motor of change as we have already stated within the development plans. But if we are hoping to develop faster, and for this country to be able to catch up with the developed countries, the emphasis should shift away from agriculture to industrialization. Any growth or improvement in manufacturing, say, of 1 per cent, has a far-reaching impact on the growth of the GDP. Many countries that have developed have shifted the investment of resources away from the agricultural sector to the manufacturing sector. That is where we need to put much emphasis in order to make a fundamental difference. Unless we are able to develop the manufacturing sector, we shall be overwhelmed by problems of poverty and unemployment.

These problems can only be overcome if we improve and make the manufacturing sector the mainstay of our economy.

I note that in one of the tax proposals, the Minister is removing duty from inputs in the steel industry. This is a welcome development. But on the other hand, he has imposed import duty, of 35 per cent, on manufactured steel products. Again, there is a catch here.

With those few remarks, I beg to support.

**Mr. Dondo:** Thank you, Mr. Temporary Deputy Chairman, for giving me this opportunity to say something about the tax proposals which were read in the Budget. First of all, I must say that it is not very easy at the moment to come up with a tax proposal which will be acceptable to everybody. We need some difficult and radical changes in the tax structures in order to get the country moving forward. The biggest problem we have is the distribution of wealth in this country. Nearly 70 per cent of the country's wealth is owned by 10 per cent of Kenyans and the majority of Kenyans live in abject poverty. Therefore, the Budget provides one of the best opportunities to re-distribute income amongst Kenyans. I would have thought that the Minister should have taken very radical measures to ensure that the income distribution in this country is positively discriminated to favour the poor. I would have imagined that the Minister would have gone out of his way to relieve the poor from taxation in a better way. I am glad he has now withdrawn the taxes on bread. As my friend Dr. Anangwe said, we would like to see the tax on kerosene totally removed. We would like the Government to try and create a consumer society which can be able to afford locally produced goods, especially those which are essential to the people of this country. In that way we can be able to spur our local industries. For example, sugar is locally produced, but a lot of people cannot afford to buy it. A lot of people in the rural areas go for months without consuming sugar for their breakfast, tea or porridge and yet we produce sugar locally. We have 18 per cent tax on sugar, 7 per cent tax on Sugar Development Levy and this amounts to 25 per cent. The sugar companies are also taxed an ordinary tax of 28 per cent.

It is almost impossible for our ordinary Kenyans to buy locally produced goods. If we reduce VAT on sugar to, say, 7 per cent and the sugar development levy to 2 per cent, this will bring down the retail price. This way, we can actually increase the number of Kenyans who consume sugar and thereby increase the production of sugar in this country. We can also enable our people enjoy the luxuries of this country like being able to afford sugar. I think we must do more to let our people access some of our locally produced goods because we can increase the volume of consumption by merely reducing the taxes thus making those things accessible to Kenyans. I think we should go for radical measures to make sure that we help our brothers and sisters who are still suffering because of the tax system which is unfavourable to them.

I know some people might think of some measures which might benefit Kenyans in the short-term but not in the long-term. A good example are the issues of *mitumba* or importing completely-knocked down vehicles at zero-rated prices. These are issues which will encourage the manufacturing of motor-vehicles in this country and creation of jobs. It is not a matter of us being able to import second-hand cars. It is a matter of us being able to create a manufacturing process in Kenya so that most of the vehicles can be assembled in this country thereby providing training for a future car manufacturing plant in this country. It is not an easy option to take, but it is the best one. I would like to congratulate the Minister for taking that option. The option of levying tax on *mitumba* clothes and shoes may look unfavourable to Kenyans in the short-term, but I think it is a positive move in the long-term. This is because it will encourage Kenyans to grow cotton and, as a result, local textile industries which have collapsed all over the country will start operating again and thereby provide jobs.

I think that some of the measures which the Minister took are quite commendable. They may look bad in the short-term, but they will give a long-term benefit to this country. I think we should encourage these measures so that we do not go for easy solutions and then get permanent problems throughout the country. I would have expected the Minister to go for more radical measures. I know it is an election year and any Government will try not to go for very radical measures in order to gain from the long term benefits of those measures. I am glad that some of those measures were taken in this Budget. I would like to plead with hon. Members that we do not reverse them when we are making amendments and so on at the later stages. This happened last year when we had some good measures, but hon. Members did decide to reverse them. As a result we are now stuck and most industries are not moving. Some of these measures which may look bad in the short-term will get this country out of the mess we are in so that we can create a productive society.

The issue of poverty reduction is a very crucial problem in this country. We Members of Parliament normally travel over the weekend and we meet with our constituents. Some of the things that we see make us feel that it is really terrible for us to be in this Parliament and let people live the way they do upcountry. It is a very sad state. I would have thought that issues of poverty reduction should have been taken seriously in this Budget so that we can relieve our constituents of some of the burdens that they have. For example, education is a very crucial issue. It is not directly linked to these taxes, but it is difficult for us to pass the Children Act which guarantees free education in primary

schools while at the same time we are not doing anything to ensure that we provide the money for free education.

We have 5.8 million children in primary schools at the moment although I am told that the latest figure is 6.1 million. These are children who are very poor and their parents cannot afford to pay fees while most of them are orphans. We passed an Act of Parliament here to guarantee them free education, but we do not provide the money. As I have said, time and again, it is not difficult for us to provide free education for our children because we can afford it. This is a very crucial aspect of our development. The Minister for Education did indicate that with Kshs450 per child, we can ensure that our children go to school. If you calculate, this does not cost us a lot of money. It is about Kshs2.6 billion. For a Government of this magnitude, which collects taxes of Kshs200 billion, Kshs2.6 billion is loose change. If we are going to spend it to provide education for our children, it is something which need not be debated. The Minister should have just come and said that each primary school child will be allocated Kshs400 for his or her education. If a school has 800 children they should be given Kshs400 times 800 to take care of all their requirements so that a child is not sent away from school for any particular reason.

I think that we are being unfair to this country because these are our children. If we can collect nearly Kshs200 billion in taxes, it is actually criminal to deny our primary school children Kshs2.6 billion for their education. It is difficult for us to sit in this House and behave as if everything is normal out there and yet our own children are suffering; they cannot go to school. It is really humiliating for parents who, for example, have four children and they are sent home because of Kshs30. They do not have that kind of money. I think the Government can take over this responsibility very easily. It is being done all over the world. Why can Kenya not do a simple thing like taking care of our primary school going children? I think it is unacceptable. I think we must really do something if we want to get this country moving.

Thank you, very much.

**The Minister for Trade and Industry** (Mr. Biwott): Thank you, Mr. Temporary Deputy Chairman, Sir. First of all, I would like to support the Budget proposals as delivered by the Minister for Finance. I am also very appreciative of the way the Minister has taken care of the industry and the way he has listened to wananchi, especially on bread, because that was touching their very heart. So, that shows that this Government is the Government of the people, which they elected themselves and are proud of. No doubt, they will ensure that they re-elect it so that it can continue to assist them with a balanced development.

Also, I have been thinking a lot about the manner in which he has excluded external resources from his Budget because, on one hand, it is a very good idea and on the other hand it is not. I hope he will ensure that those external resources are not diverted to other channels where they could be used to disrupt the peace and tranquillity which exists in this country. I think every resource that comes to this country from the external source should be accountable so that wananchi know what has come in and what use it has been put into.

Therefore, the decision that was reached in this country with regard to external resources should apply to all sectors, and not only the Government. For example, we know that NGOs and the civil society have been receiving huge amounts of external resources which they cannot account for. It may well be that what we saw in 1992 - high inflation - could be as a result of external money which was brought to the country by the civil society and NGOs. It created enormous inflation and which, eventually, became a problem, and mopping up had to be done. As a result of it, we have had the problem of domestic debt. Otherwise, the move that he has made in this direction is very good because it enables us to work and think for ourselves and budget for our selves.

In the Budget, there are provisions which are innovative, one of which deals with the export promotion programme, commonly known as EPPO. That innovation is good in the sense that it aims at checking abuse in that programme. But, at the same time, I think it requires careful thought, which I hope the Minister will look into, to ensure that the genuine beneficiaries of this facility who are promoting exports from this country are also taken care of and isolated from the bad eggs. Those who may have misused this system should also be exposed so that they can be removed from the beneficiary list.

Also, regarding the essential goods and services support programme, I think it is also another area where the Minister should follow up the proposals that he has made by looking into it clearly - X-ray it - so that we know exactly who are the genuine beneficiaries and exploiters of the system, in order to streamline our structures and institutional frameworks and support our industry fully. This is because, today, we need industries to create employment. We need services to create employment. We need every institution to be improved in order to assist our economy to grow.

There is also the newly established programme of small and medium enterprises. We hope that when it functions, it will more or less generate something like Kshs2 billion to help the small-scale enterprises through product development and marketing. I hope that very soon, the Treasury and my Ministry will finalise details in order to allow our people to benefit by, again, putting more emphasis on generation of employment and where exports are found. This is because it is in small and medium enterprises that you get the greatest impact as far as employment is concerned.

On cotton production, which the Member for "Kangemi" mentioned, I would like to---

**Mr. Michuki:** On a point of order, Mr. Temporary Deputy Chairman, Sir. Is my friend, the Minister, in order to say that my constituency is Kangemi, when it is Kangema?

*(Laughter)*

**The Minister for Trade and Industry** (Mr. Biwott): Mr. Temporary Deputy Chairman, Sir. I beg your pardon. It is Kangema. I think he mentioned something which I thought needs to be clarified.

Today, the cotton industry has been revived, and there is a lot of production throughout the country. That crop is ready for absorption. Textile mills owned by the ginneries are demanding those goods or services. But the cotton lint itself cannot be sold at the moment because of importation of *mitumba*. It is the *mitumba* which are causing problems to the cotton and textile industry because what comes in as *mitumba* are not really *mitumba*. These are brand new clothes which are being dumped into this country, and they are still coming in. Already, that problem has been identified, and my Ministry, together with the police and all the concerned Ministries, are working on that system in order to close up loopholes so that our textile and cotton mills can be developed.

I would like to invite hon. Members to arrange with our Ministry so that we can show them what is happening in this sector. This is because there is a lot of revival. If you go into our own textile mills, you will find that they are doing a good job for the AGOA programme.

I support the idea that AFC should be funded in order to help agricultural producers. For that matter, I would like to see a revival of the 17 per cent rule which used to exist in the past, where banks set aside 17 per cent for the agricultural sector, and that money should be given to the farmers at an affordable interest rate.

Earlier on, my colleague, the Minister for Public Health, Prof. Onger, talked about the Kenya Industrial Property Act. We passed a wonderful Act, but somehow, through a Miscellaneous Amendments Bill, an amendment was sneaked in which removed the vital part of that Bill; the ability of this Government to access medicine at an affordable price through compulsory licensing. We are still investigating how that move originated and, hopefully, the House will support us in passing an amendment that seeks to restore that vital part. The Bill will come to this House for re-amendment so that we can have the real benefits of that Act.

The hon. Member who represents Kangema Constituency also talked about corruption. I would like to ask him, with a light touch: How does one account for the hoarding of cigarettes or beer during Budget days when he was the Permanent Secretary, Ministry of Finance and Planning? If there is corruption, then it may have started many years ago, but I do support the idea that there should be zero tolerance for corruption. We should be as firm as possible and not allow corruption in whichever form to penetrate in our society.

Mr. Temporary Deputy Chairman, Sir, as for the movement of industries from this country to other countries, I think he has answered himself. There has been an apparent relocation of industries from this country to other countries, but Kenya is still more attractive to investors than any other part of this region.

Mr. Temporary Deputy Chairman, Sir, with these few remarks, I support this Motion.

**Mr. Gitonga:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to make my contribution to this Motion. During my contribution to the Minister's Financial Statement, I commended him for the Budget that he came up with. I said that this one of the best Budgets read in this House in recent years, and I still stand by that statement. I commend the Minister for coming up with that Budget. On the question of reviving our industries, the Minister did the right thing to remove duties and other taxes on raw materials. This is the one way in which we can revive our local industries because they will compete with other industries in neighbouring countries. But I also said that increasing tax on certain items will affect the poor. The very poor in this country are being hurt by increased tax on kerosene. Kerosene has become a necessity to our communities. I represent a poor rural area, and there is hue and cry about increased tax on kerosene. We have been talking about protection of our environment, and one way of protecting our environment is by making fuel, particularly kerosene, which is used by the common mwananchi for lighting, cheaper.

Today, if we raise the price of kerosene by Kshs1, most of the school-going children will not do their homework. This is because their families are already finding it difficult to purchase kerosene. So, I would like to appeal to the Minister to reconsider his decision and remove tax on kerosene.

There are some products which are luxuries. Tax on items such as cigarettes can be increased and there will be no problem. Tax on beer can be increased by a certain percentage, and I am sure that the Minister will agree with me that a person can go for one night without taking beer. But it will be very unfair to ask a student in a rural area to go for one night without doing his or her homework just because the family does not have kerosene. So, these measures should be reconsidered. The Minister should find ways and means of taxing other areas, if at all he has to raise this money. So, I would like to appeal to the Government to do away with this particular tax, so that the poor can be relieved of the burden of meeting the increased cost of kerosene.



What will happen in a city like this one if the price of kerosene is raised is that people will start to destroy forests by burning charcoal for sale. We will continue to destroy the very environment which we are trying to protect. This is because the only alternative left for people who live in towns is charcoal or firewood. Again, it is for this reason that I would like to appeal to the Minister to remove increased tax on kerosene.

Mr. Temporary Deputy Speaker, Sir, while I would like to agree with my colleague who spoke earlier on about *mitumba*, that we should, perhaps, find a way of getting rid of these clothes, at the same time, we should consider the short-term measures because of the state in which our economy is today. We should do first things first. What is important today is to revive the cotton industry, which we have destroyed. If we can give the cotton farmer incentive to produce more and high quality cotton by paying a little more, I am sure that will be a step forward in doing away with *mitumba* in this country.

The other way in which we can do away with *mitumba* in this country is, perhaps, by reviving the ginneries which have collapsed. These ginneries are not operating today because the cotton industry has been destroyed. It is for this reason that I would like to appeal to the Minister to reconsider reducing the tax on *mitumba*, which he has increased. I think he should handle things as they happen. The Government should give the farmer incentive by paying him a little more so that he can produce high quality cotton at a lower cost. If we do this and revive our ginneries, even the textile industry, which has collapsed, will start to operate. It is for this reason that I would like to appeal to the Government, or the Minister for Finance, to reconsider removing increased tax on *mitumba*.

The other area I would like to talk about is with regard to cellular phones or mobile telephones. Today, many people will tell you that landline telephones have become unpopular. One cannot rely on a landline telephone. That is the reason why, if you go to the streets, and even in the rural area, you will find that although mobile telephones are expensive to use to communicate, people are using them. This is because landline telephones are non-existent, and where they have been installed, they do not work. This is the case despite the exorbitant bills which are submitted to those people who have landline telephones. One wonders where and who uses your telephone. As a result of this, many people have opted not to continue using landline telephones. Landline telephones are not reliable because they can work for one week and the following week, they do not work. This is the case despite the fact that it takes more than two weeks to get the technicians from Telkom Kenya Limited to come and repair them.

So, the Minister should reconsider reducing the increased tax on airtime taken on mobile telephones so that every person can afford to make a call using these gadgets. This is because a telephone is not a luxury any more in this country. It is a means of communication. Even the common mwananchi can do his daily business using a mobile telephone because he can use it anywhere, any time. So, the Minister should reconsider reducing increased duty on airtime taken on mobile telephones.

Mr. Temporary Deputy Chairman, Sir, with these few remarks, I beg to support this Motion.

**The Assistant Minister for Foreign Affairs and International Co-operation** (Mr. Muchilwa): Mr. Temporary Deputy Chairman, Sir, this Motion deserves the support of all of us because it is very practical. No donor funds, for the first time, have been factored into the Budget. This means that we will make do with what we have. If our friends want to come and help us, they are welcome and we will thank them. If they do not want to help us, that will be bad luck, but, at least, there will be nobody holding us by the ears.

I would like to confine my remarks to the agricultural sector. The Minister increased tax on imported sugar that will be in excess of our country's requirement. He imposed a deterrent tax of 100 per cent, which is very good, but I can see some problems in its implementation.

To begin with, the 200,000 metric tonnes of sugar mentioned as the amount of sugar the country needs to import to supplement our sugar production is an over-estimate. I think this figure was arrived at by civil servants, probably, after being persuaded by importers in order for them to import more sugar into this country. Our actual sugar requirement is much less, particularly during these hard times when Kenyans' consumption has reduced as a result of the economic crisis. A realistic estimate would be about 100,000 metric tonnes.

Out of this 200,000 metric tonnes extra requirement, 110,000 metric tonnes is supposed to be refined sugar, and 90,000 metric tonnes is supposed to be ordinary sugar. A hundred and ten thousand metric tonnes of refined sugar is a lot of sugar. We should import refined sugar for industries that really need it, for example, soft drinks manufacturers. We should not allow manufacturers of products such as confectionaries to import refined sugar. We know that in Europe and other countries, confectionary manufacturers use brown sugar. But in this country, they would like to pretend that they require refined sugar so that after they import it, they sell it in the open market. We should review that amount of sugar, so that the amount of refined sugar that we import is what is actually required, particularly given the fact that demand for sugar has reduced due to the current economic crisis.

I would suggest that we import 100,000 metric tonnes, out of which 60,000 metric tonnes can be refined sugar, and 40,000 metric tonnes can be ordinary sugar. If there would be any excess demand for sugar, it would help to stimulate production. Any extra demand for a commodity automatically stimulates its production. The mechanism for

controlling the importation of the 200,000 metric tonnes of sugar that is to be imported into the country needs to be looked into. This amount of sugar will be imported duty-free and if its importation is not well looked into, it will be abused. Secondly, I am afraid of what will happen after the country has imported sufficient sugar and the Government wants to charge 100 per cent duty on the incoming sugar. I can foresee a situation where a shipload of sugar worth Kshs2 billion will be on the high seas or at the Port of Mombasa, and the importer will be asked to pay 100 per cent duty. There will be a lot of temptation for the importer to evade duty. I want to suggest that decisions of this kind should be made by a board such as the Kenya Sugar Board, instead of leaving them to the Kenya Revenue Authority (KRA).

A lot of care has to be taken to ensure that taxation does not hurt farmers. For example, right now, Value Added Tax (VAT) is being demanded for cane haulage. Mumias Sugar Company alone is being asked to pay Kshs150 million VAT in respect of cane that was transported to it last year. If that happens to all the factories, it will mean that the cost will be passed on to the farmers, and that will make the position of the farmer worse than it is now. We will not be alleviating poverty.

Mr. Donde gave a breakdown of the taxes imposed on sugar. He rightly said that there is 18 per cent VAT, and 7 per cent Sugar Development Levy. This is correct. But he did not mention that the current practice is that after the production cost, you add the Sugar Development Levy, and on top of it, you add 18 per cent VAT. This is double taxation. The Government should first of all put a levy on the cost of production and then base VAT on the cost of production and not on the cost of production plus the levy. On top of that, the companies pay 28 per cent tax, as Mr. Donde mentioned.

The sugar that is sold in supermarkets is not branded to show where it came from. It should be shown where it came from. The expiry date should also be shown. Sugar, like any other commodity, has an expiry date, and it is important that it is shown on the pack. I am aware that manufacturers of soft drinks are lobbying for refined sugar to be regarded as a raw material. This should not be allowed. If it is allowed, the manufacturers will just off-load refined sugar into the market without paying duty for it.

I now want to talk about fertilizers. This country receives fertilizers as grants from countries such as Japan.

With those few remarks, I beg to support.

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

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

**Mr. Kibicho:** Mr. Temporary Deputy Chairman, Sir, the tax proposals by the Minister to raise revenue are commendable. I want to join other hon. Members who have commended the Minister for preparing a Budget which will source all the required money locally.

However, the proposal in respect of deterring importation of goods so that domestic industries can prosper raises a lot of concern.

Mr. Temporary Deputy Chairman, Sir, you heard the Minister for Finance say that duty on dairy products will be 65 per cent, so that those people who are tempted to import them will find it not economical. But this Government lacks either the capacity or the ability to determine to what level other countries subsidise their products. As a result, the Minister for Finance, because he lacks that capacity, cannot fix a tax which will deter an importer even if the duty was 100 per cent. He would still import and sell in this country more cheaply. For example, if duty on dairy products is 65 per cent, that milk will have come from a cow which has been developed genetically. Such a cow could produce 40 litres of milk per day, while the best grade cow in Kenya produces about 14 litres of milk per day. So, even if you were to levy 100 per cent duty on imported milk, an importer would still have an advantage over a local producer. So, this Government should not pretend that they have the capacity and ability to determine the level of import duty to be levied on dairy products. If they are desirous of protecting our dairy industry, they should ban the importation of dairy products.

Mr. Temporary Deputy Chairman, Sir, there is a lot of politics in the importation of dairy products. In the past, we had sugar being imported into this country by people who wanted to venture into politics. When you look at the list of the importers of dairy products, you will find that one of the companies importing them is associated with a family which is very busy trying to acquire power in this country. But they should be forgiven for thinking that they can acquire power through such means. But we cannot pretend to be following the World Trade Organisation rules (WTO) which we do not understand.

Mr. Temporary Deputy Chairman, Sir, if you look at the strategy in terms of exposing our industries so that

they can be efficient, you will find that it is wanting in many respects. Duty on paper is very high because it is meant to protect the Pan Africa Paper Mills! The cost of paper in this country has gone up so much that even packaging materials have made our products very expensive. So, the whole purpose is defeated! If tax is levied to encourage a certain company to market its products, the Government must be satisfied that, that company is efficient. But if that tax encourages inefficiency, it should be done away with!

Mr. Temporary Deputy Chairman, Sir, I wish to comment on duty on second-hand clothes and second-hand vehicles. Whereas I do support the fact that our textile industry should be encouraged to grow, the Government had it all wrong! What the Government should have done first, was to engage in massive investment in the textile industry, so that Rivatex, KICOMI in Kisumu and Thika would have been put to maximum production first. We should not deny our people clothes because of protecting an industry whose revival is in doubt. In any case, we should not use taxation as a method of deterring importers from importing goods to compete with our products.

We should just ban the importation of such products! We should ban importation of such products completely because we do not have the ability to determine the level of taxation on such imported goods! Why is it that when you go to a supermarket, apples from South Africa are cheaper than those from Kenya? It is because the technology of producing those products in South Africa is not available in this country! South Africa can produce those products very cheaply, and they are more developed than we are! We should ban importation of agricultural products into this country, so that we can realise economic growth.

Mr. Temporary Deputy Chairman, Sir, if you look at the tax proposals as far as motor vehicles are concerned, the scenario is the same. If an imported vehicle costs about Kshs300,000, such a vehicle is much better, and even stronger than the vehicles we assemble in Thika, and industrial area! So, why do we not revert back to the policy of import substitution which we had earlier on? That policy, which was in existence in the 1970s and 1980s, bore fruits! The open-ended policy where we are exposing our industries to competition cannot succeed!

Mr. Temporary Deputy Chairman, Sir, with regard to the tax on paraffin, if it is not reduced immediately, the environment is going to be polluted, people are going to cut trees, and that is not desirable. In any case, it is not equitable that you should levy a tax and then use that money to develop other areas while the people who are paying that tax are not benefiting! You will notice that when the Minister was delivering his speech, he said some of this money will go towards harvesting rain water. That rain water will not be used by the people who will pay these taxes. Why should the poorest of the poor be called upon to develop this country, while the rich ones are not contributing towards the development of this country?

Mr. Temporary Deputy Chairman, Sir, we should develop the three arms of Government, so that they can be effective in the delivery of services to wananchi. We should make sure that the Legislature, Judiciary and Executive are functioning well.

With those remarks, I beg to support.

The Assistant Minister for Labour and Human Resource Management (Mr. Chanzu): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to the Motion on the Financial Statement.

The most important role of the Government is to protect the welfare of its people. When we look at the Budget as was presented by the Minister for Finance this year, it is evident that the Minister tried as much as possible to ensure that it is balanced. The most significant thing in the Budget is what we have said, and we will say it again; the omission of the donor component in the Budget. The donor component in the Budget has tended to be misleading because as we have previously incorporated it into the Budget, we have ended up not getting the funds as expected and, therefore, Kenyans have been forced to meet the expenditure which had been contemplated, or they forgo what was intended. That has been misleading. Therefore, I congratulate the Minister for that move.

With regard to the proposals made by the Minister, the most important thing is that whatever is realised in whatever way must be ploughed back in order to assist in creating employment opportunities. So, most of what is collected should be spent on aspects which are intended to create employment opportunities, for example, in the *Jua Kali* sector. A lot of thought needs to be put in the *Jua Kali* sector so that we can create employment opportunities. There is need for every citizen to participate in the development of the economy. There is no way Kenyans can participate in the development of the economy when they are languishing in poverty. So, as much as the proposals are quite adequate, whatever we realise should be directed towards the creation of employment opportunities. Also, whatever is collected should be distributed equitably. This is because there are areas where there is no equity in the distribution of the revenue collected.

Mr. Temporary Deputy Chairman, Sir, the industrial sector will make our economy advance if we can put more money into it. The proposals made by the Minister in his Budget, especially with regard to the removal of tax on imported items which are supposed to be used in the industrial sector, are very commendable. The Minister needs to make sure that there is effectiveness and efficiency in the implementation of those proposals.

With those few remarks, I beg to support.

**Mr. N. Nyagah:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to the Motion on the Financial Statement.

I barely want to spend five minutes in this contribution because I had contributed during the debate on the Budget Speech. I just want to touch on two or three subjects; first, the Intellectual Property Act, which was spoken on at great length by the Assistant Minister for Transport and Communications. I am glad he has walked into the Chamber, and I want to touch on that subject. I also do want to make some reference to what was said here before by the Minister for Trade and Industry.

Having said so, let me start by, first of all, saying that overall, the taxation proposals that were made by the Minister were fairly good; but by and large, we have gotten to a situation where the poor Kenyans will be made to support the rich. That is where we have the anomaly! From the onset, let me say "thank you" to the Minister for having accepted to wipe out the levy that he had come up with on bread. I think the pressure was becoming too much. I am also going to request the Minister, as many other speakers before me have requested, to do so with regard to the levy on kerosene. Before doing so, let me show why the Minister for Trade and Industry--- It is unfortunate he has just walked out before I could make this presentation. I would have loved to make my presentation in his presence and show how insincere his statement may have been, when he made his contribution slightly earlier. The first one is, when a Bill comes through, it is my belief and understanding that it is discussed in the Cabinet. The Statute Law (Miscellaneous Amendments) Bill must have been discussed in the Cabinet without exception at all.

Mr. Temporary Deputy Chairman, Sir, I want to quote what the Seconder of this Motion said on 14th June, 2002. He said the following, and I quote:

"I also welcome the change proposed to the Industrial Property Act, 2001, which provides for patent rights to anything that may be invented in Kenya. We have remained paupers, and yet Kenyans have invented things. We have not been able to protect any intellectual rights because we have not had a law providing for the same in our statute books. The United States of America is very rich because it has protected its intellectual property. It is, therefore, important for us to have an office which will register patent rights for the Kenya intellectual products so that such registration can be recognised worldwide."

I do not believe that our current registered intellectual property is recognisable worldwide and, so on. I am saying so because those wise words came from none other than hon. Mathias Keah, who, I am very glad, is sitting in this House. We have been told by the Minister in charge of trade and industry that they have no idea how the amendments to the Statute Law (Miscellaneous Amendments) Bill, on the patent rights on the Intellectual Property, in as far as generic drugs are concerned, nobody in Kenya knows, other than the Attorney-General! Am I made to believe that to be true?

Mr. Temporary Deputy Chairman, Sir, be reminded that a week ago, on the Floor of this House, I brought this matter to the attention of the Government. I spoke to the Attorney-General, the Permanent Secretary, Ministry of Health, and the Director of Medical Services. All I wanted to know was who brought these amendments.

About a year ago, I was very critical about giving the rights to a patent holder to allow generic importation of drugs into this country. This is because, obviously, if you have a big manufacturing company, for instance, Smithkline Beecham; which is huge, gigantic and forms the biggest company in the world of pharmaceutical industry, I would not want, even for a minute, to think that we will allow every Tom, Dick and Harry, particularly people from India, to import beautiful generic products that cost Kshs2,000 in Kenya. I am talking about generics; not like, but they cost Kshs2,000 in Kenya at the moment. I do not see why the Government is going to allow generic drugs from India to be used by Kenyans to extend their lives. I would like to know whether the Attorney-General got instructions from a pharmaceutical company to bring that amendment in the Miscellaneous Amendments Bill. As usual, in the very cheeky manner of Government, it was hidden deep in one of the pages. Unfortunately, hon. Members of the Departmental Committee on Health, which looks into such matters in the House, were not in the country. Some of its hon. Members were in Chile; the Chairman Dr. Kulundu, was in New York, while I was in India attending to matters related to AIDS, and this is when the Attorney-General sneaked in this amendment for Kenyans to die. The Government should bring an amendment so that patients can get these drugs at Kshs2,000 in mission hospitals.

We are talking of over two million Kenyans who should purchase these drugs at Kshs2,000. They are not able to get these drugs because they are sold at between Kshs10,000 to Kshs30,000. No wonder millions of Kenyans, or 700 per day, will continue to die. Let me also hasten to say the following: Are there some Kenyans who are interested in the manufacture of generic drugs? To me, the answer is yes. Dawa Pharmaceutical Company is no longer there. Who are the people behind its demise? These are some of the reasons we want to be told. It cannot have been that, by mistake, the Attorney-General was instructed by manufacturing companies to bring in this amendment. It is a shame on the part of the Government that this amendment was passed.

The Minister for Finance has express authority to reduce any taxes that we pass here by 30 per cent. I know he can do that with regard to *mitumba*. I know he has those powers. I think our priorities are wrong. I come from an area where we used to grow cotton when I was a young man. The same applied to Nyanza region. I have seen our ginneries in Mbeere disappear with a few well-connected people. When I was young, I used to see my mother go to KFA to get seed and fertilizer on credit. At least at that time, fertilizer that was donated to Government was given free of charge. We hope this Government will also start giving it for free. Do not make money out of donations. If we think that we are going to save the situation by taxing people who are dealing in second-hand clothes, we are wasting our time. I have talked to very many Chinese investors who are interested in growing cotton in Mbeere. These are the people we should assist. Once the cotton industry picks up, we can think of phasing out *mitumba*, but not the way we want to do it.

I would like to remind Kenyans that many years ago, before taxation measures on *mitumba* were put in place, they used to be brought into the country on daily basis through Uganda and Tanzania. What we are now basically telling Kenyan businessmen is that they should import *mitumba* through *magendo* system. We shall lose the nearly Kshs2 billion we raise from duty charged on *mitumba*. That is a fact. Why do we have to overtax people? This Government is very interesting. We are raising tax on *mitumba* so that the poor finance the rich, and yet we do not grow cotton. There is no way we can re-open KICOMI and other textile factories in Kenya. They will remain closed. We are increasing duty on second-hand clothes and shoes in order to please a few individuals. In my own opinion, this is misplaced.

Lastly, I would like to request the Government to look into the issue of increased duty on kerosene. This taxation should be removed before we bring the issue on the Floor of the House.

Thank you.

**The Assistant Minister for Transport and Communications** (Mr. Keah): Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to make my contribution on this Motion on the Committee of Ways and Means.

In the Committee of Ways and Means, we are looking at various revenue measures to enable the Minister finance the deficit of this year's Kshs32 billion. This is a normal task; indeed, a mammoth task. In this Financial Statement, I noticed that the domestic roll-over or the source financing measure was Kshs36 billion brought forward. This year, we intend to increase the Treasury Bills by Kshs32 billion in order to finance the Exchequer deficit for the year. While reading through the Budget Statement, I realised that the Budget is anchored on the basis of increased savings and capital formation, which will generate growth, employment and wealth.

I appreciate the effort the Minister and his team made at the Treasury in coming up with several measures which will be put in place in the course of the year, in order to achieve this anchor. The key to that achievement is the implementation of all those measures that have been put in place. We would like to be assured that the implementation record will be achieved. If it is not achieved, then I am afraid these taxation measures will not be achieved. I would like to state that we can still do better with our revenue collection. Enhanced revenue collection is an effort that should be made. We should even surpass the target that has been set here. It is up to the Kenya Revenue Authority and the Ministry to see to it that, that aspect has been achieved. I would also like to call upon Kenyans not to shun away from paying taxes. Indeed, we must pay to Caesar what belongs to Caesar, and to God what belongs to God! But unless Kenyans develop the culture of willingly paying revenue or taxes, I am afraid we will always not achieve our intended goals.

Mr. Temporary Deputy Chairman, Sir, in my view, the taxation measures were fair in the prevailing difficult circumstances. Be that as it may, in my view, they do fall short in a number of cases. We have gone to the usual means and ways of raising revenue; that is Customs, Excise Duty, Value Added Tax (VAT), Income Tax, Miscellaneous fees and other taxes. We have gone to the usual traditional measures without exploring beyond that. I think it is important to go beyond that, particularly when we have not factored in funds from the World Bank and the International Monetary Fund (IMF). To me, that is courageous, and I would like to commend the Minister for doing that, despite the effects that might occur, whether negative or otherwise. But we must strive to be self-sufficient and independent of the forces outside the country.

Mr. Temporary Deputy Chairman, Sir, on Customs Tariffs, we certainly welcome the zero-rating of raw materials for manufacturing purposes. But I must say that the removal of the EPPO has created problems to importers of raw materials for manufacture for export. In my view, although there were abuses, we should have identified the abusers and penalised them. The good boys should not be penalised because of the sins of the bad boys. The Minister must find a mechanism of enabling those bulk importers of raw materials not to pay VAT for warehousing the materials for purposes of manufacturing. That creates a cash flow bottleneck of having to pay 18 per cent, instead of the 3 per cent Customs Duty. It is an incredibly high rate, and the Minister must look into that. I have received complaints from people like the Mabati Rolling Mills and Corrugated Sheets in Mombasa. Those are people who

operate in my constituency. They cried foul of this Budget simply because, as far as their raw materials are concerned, they import in bulk, warehouse them for a number of days and only produce the volume which is needed for manufacturing. The removal of that facility is, in fact, going to create bottlenecks and major cash flow problems and yet, we want to enhance investment and create employment.

I hope the team from the Treasury has taken note of that, because I am talking from experience from those industrialists, particularly in my constituency, who have approached me to make sure that this matter has been correctly aired in Parliament, and to the Minister. I specifically would like to mention Mabati Rolling Mills and Corrugated Sheets who are operating in Kaloleni Constituency.

Mr. Temporary Deputy Chairman, Sir, the Excise Duty on kerosene is really rough. Kenyans must try and accept reality; that is targeted for water. There has been no rain in Kaloleni Constituency and the dams are all dry. I would like to see the projection of how the Kshs1 is going to be utilised. It should just be an amorphous account without any projections on how that Kshs1 collected from every litre of kerosene is going to be utilised in the course of the year. Over and above that, I have yet to see how the wealthier members of the nation have been taxed. Kerosene is particularly used by poor people in the rural areas. But what about those who drive Mercedes Benz 350, 450 and 600? How have you taxed them? The Minister should look into that, so that they can also make a contribution just as the poor people. We welcome the removal of VAT on bread, but let me now give three new specific revenue measures that could assist the Treasury in creating development in this country. The Minister and his team should listen very carefully. With a Budget of 84 per cent consumption and 16 per cent development, we are not going to grow at all.

First of all, the Minister should look for new sources of revenue in new industries such as the coconut industry. There is plenty of money available in the coconut industry, but it has been ignored right from the very start. I do not know whether it is ignored because it is in the Coast Province! They can come to me and I will give them ways and means of how to raise revenue in the coconut industry. I want to pass that point as emphatically as I can. Secondly, another revenue measure, which I have given before and I will repeat it time and again, is to build, operate and transfer! That is the only way we can develop in the absence of loan money from the IMF and the World Bank. Thirdly, create some kind of development levy of funds before taxation; that is, profit before taxation. That is being done in Nigeria and other countries. We must create a development fund. Those funds will go specifically towards development from the existing infrastructure.

With those few remarks, I beg to support. They must seriously look for new ways and means.

**Mr. Kihoro:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to critically examine the Government's taxation measures contained in the Financial Statement. If there is a discriminative tax that can be levied by a Government, it is the VAT. From the measures that are proposed, where the Government is going to raise Kshs8.9 billion, I find that the Government is going to raise Kshs2.3 billion from VAT. That is a tax that does not discriminate and tends, many times than usual, to fall on the poorer sections of the community. I find that the issues that have been raised by Members, especially on taxation of kerosene and *mitumba*, have got a bearing because of the VAT. I would propose that next time, the Minister should take note of that form of taxation, where 60 per cent of Kenyans are living below the poverty line, and the VAT tends to fall more heavily on them.

Mr. Temporary Deputy Chairman, Sir, on the tax proposed by the Government in respect of Import Duties, Item No.3 that has been listed on the Financial Statement, is proposing to increase surcharge by 20 per cent on vehicles which are between five and eight years old, subject to a levy of Kshs30,000. If a vehicle is more than eight years old, I find that the Minister is proposing to surcharge by 20 per cent, subject to a minimum of Kshs60,000. Any man or woman in this country who imports a car that is more than eight years old must be a poor person. Why does this Government want to get more money from him or her? Why does this Government want to get Kshs60,000 from a person who imports a car that is more than eight years old? Could it be that there is protection that is being given to the "big boys" in this country, that unless we buy a car from them, we cannot import it from Dubai? If we import a car that is more than eight years old from Dubai, we will be penalised. It is important that we think positively about the poor section of this community. The reason given by the Government that they will raise this tax because they want to protect the environment is not sufficient. This Government is on record for being most destructive of our environment. I can see the former Minister for Environment, Mr. Nyenze, is here. I know he appreciates the point that it is not because of the question of protecting the environment that the Government wants to raise this tax.

We cannot destroy the environment by importing a car that is more than eight years old and whose cubic capacity is only 2.1 litres of petrol. What protection is the Government giving to the environment? What justification do they have to levy Kshs60,000 on a small car or Datsun 120Y with a cubic capacity of 2.1 litres of petrol? We are being told we cannot import it. So, let us think positively about the poorer section of the community. I think that the proposal by the Minister that a car which is more than eight years old will be taxed, subject to a minimum of Kshs60,000, is not right.

Mr. Temporary Deputy Chairman, Sir, it is good to revive our cotton industry. What is important here is to protect the cotton industry if it exists. But if it does not exist, what are we protecting? What are we protecting when we levy high tax on *mitumba*? There is a proposal by the Minister to levy Kshs25 per kilogramme of *mitumba*. He is also proposing to raise it by Kshs10 per kilogramme. This is an increment of more than 70 per cent. If there was a thriving textile industry in this country, one would appreciate the point of protecting our nascent cotton industry. But in this particular case, we are in the process of reviving our cotton industry, but it does not yet exist. Therefore, I find this taxation on the basis of protecting our textile industry totally improper. We should wait for another five years before we raise tax on *mitumba*. It is true that tax on *mitumba* will be raised so that we protect our cotton industry, but let us wait for a period of five years, until we have a thriving textile industry. From there, we can say we want to protect the local manufacturer who is making so many of our clothes.

Mr. Temporary Deputy Chairman, Sir, one tax which should have been considered by the Minister is removal of duty on imported wood products because it will go a long way towards protecting our environment. I think also duty should have been increased on exported Kenyan wood products. While we protect by importing and, therefore, not cutting our trees, it is important that when we cut down our trees for export, duty should be increased. If we do this, people will be discouraged from exporting wood products in order to protect our forests. I hope that is something to be considered by the Minister next time.

Mr. Temporary Deputy Chairman, Sir, I know there are traders who import timber from the Republic of Congo. They bring it here and it is not locally used in this country. It might be exported to Hong Kong and the Far East. Kenya then becomes a staging point for the importation of timber from Central Africa. It is important that the imported timber, if it is for export, be taxed. There is no tax that is proposed by the Minister in respect of that. When timber is imported from the Republic of Congo, offloaded in Nairobi and then transported to Mombasa for export, then VAT must be paid to the Government. That is important.

One tax which I also believe should have been levied on tobacco companies in this country is the health tax. I do understand that they have been given a hybrid excise duty because of what is called increased smuggling, tax evasion and under-declaration. Many European and American countries are discouraging their people from smoking because of the health implications that arise from this habit. On that basis, it would have been wise for this Government to consider levying a health tax. If you carry out a research on many of the patients in our hospitals, you will discover that if they do not suffer from HIV/AIDS-related diseases, they suffer from a disease that is connected to smoking. That is scientifically proven. On that basis, while the "big boys" might be able to import, smuggle and evade tax, it would also have been good to make sure that those who import cigarettes pay a health tax. What is happening across the world is that many tobacco companies are moving away from Europe and Asia and they are coming to Africa. Our people are taking up this very bad habit and, therefore, cigarettes should be made more expensive to discourage them. The companies which deal in these products should pay a health tax to support our health establishment. That is an important tax which I hope the Minister will consider next time.

Maybe, tax on spirits should also have been enhanced. I know hon. Members with fat pay cheques could be consuming spirits and other expensive products from Scotland and Europe. I think it is only important that the Government in this particular situation should have raised more money by levying taxes on spirits and other expensive products, like cameras. I know they have been overtaxed for a long time, but that would be a very important area because, eventually, I believe there is no Government without taxation. That, we are very aware of. Eventually, also, let tax be levied more on those who can afford to pay as opposed to the poorer section of the community who, when they pay tax as proposed, end up being more impoverished.

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

**The Temporary Deputy Chairman** (Mr. Imanyara): Mr. Arap-Kirui, since I do not see anybody else who wants to speak, do you want to respond?

**The Assistant Minister for Finance and Planning** (Mr. Arap-Kirui): Mr. Temporary Deputy Chairman, Sir, thank you for giving me this opportunity to respond to the debate on this Motion.

May I, from the outset, thank those hon. Members who have contributed to this debate. They have made a lot of useful suggestions and comments that we, in the Treasury, will definitely take into account in the formulation of further policies.

Mr. Temporary Deputy Chairman, Sir, there has been a lot said about the issue of taxing *mitumba*. I think we are here in a situation of which one comes first. Some hon. Members are of the opinion that we should have developed the cotton industry first before taxing *mitumba*. Others are of the opinion that in order to develop the cotton industry, we need to block off cheap imports of products that would hinder our development; in which case, we need to stop or limit the importation of *mitumba*. I think we have taken the right decision. If we intend to develop the cotton industry, then we should restrict the importation of *mitumba*. As an hon. Member pointed out, some of the so-called "*mitumba*" are often new clothing that is imported under the guise of *mitumba*. I do not think we need any evidence to indicate

that *mitumba* have destroyed our cotton industry. Therefore, I think the move that has been taken with regard to this sector is the right one. If we are consistent, we will see the revival of our cotton industry.

Mr. Temporary Deputy Chairman, Sir, another issue which has exercised the minds of most of the hon. Members who have contributed to this Motion is that of the proposed tax on kerosene. Surely, the proposed tax of Kshs1 per litre of kerosene is not big. Hon. Members, however, have made it appear as if we have imposed a 50 per cent or 100 per cent tax on kerosene. You will realise that the proposed tax on kerosene is less than 3 per cent. By any stretch of imagination, this is not a major tax. The revenue that will be collected from this taxation measure is meant to support a very necessary activity; it is meant to go into development. So, I think we should accept this taxation in the spirit in which it was introduced; that it is intended to do a good job.

There is also the proposed taxation of mobile phone airtime. The hon. Members who have suggested that this should not be done are probably not serious. Mobile phones are used mostly by the well-to-do members of society. Only a small percentage of the people in rural areas use mobile phones. Even then, again, the level of taxation on airtime is extremely low; it is only 5 per cent. Again, this is not a major tax, but the revenue that will be realised from this taxation will go to support many good activities by the Government.

There is also the issue of the sugar industry. I think the efforts the Minister has made to protect and support the sugar farmer are laudatory. We often have the problem of statistics. Whether allowing the entry into the country of 200,000 tonnes or 100,000 tonnes of sugar by a trader tax-free is too much or not, as an hon. Member said, is a move in the right direction. If this allowance is too much, I am sure that this can be corrected in future.

I would like to appreciate the contribution made by hon. Members to this Motion. It has been in a very positive spirit. They have commended the Minister for proposals which have been very well put together. So, we thank all the hon. Members who have contributed to the Motion.

With those 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 Resolution and its approval thereof without amendment.

*(Question proposed)*

*(Question put and agreed to)*

*(The House resumed)*

*[The Temporary Deputy Speaker  
(Dr. Anangwe) in the Chair]*

## REPORT

### APPROVAL OF TAXATION MEASURES

**Mr. Imanyara:** Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered that the proposals relating to Customs Tariff, Exercise Duties, Value Added Tax, Income Tax, and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of account 2002/2003 be approved and the same has been approved without amendment.

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

**The Minister for Finance** (Mr. Obure) seconded.

*(Question proposed)*

*(Question put and agreed to)*

## ADJOURNMENT



**The Temporary Deputy Speaker** (Dr. Anangwe): Hon. Members, it is now time to interrupt the business of the House. Therefore, the House stands adjourned until tomorrow, Wednesday, 3rd July, 2002, at 9.00 a.m.

The House rose at 6.30 p.m.