

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 7th June, 2000

The House met at 9.00 a.m.

[Mr. Deputy Speaker in the Chair]

PRAYERS

ORAL ANSWERS TO QUESTIONS

Question No.122

EL NINO FUNDS ALLOCATION TO NAIROBI

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

- (a) how much money was allocated to Nairobi Province from the *El Nino* Emergency Fund; and,
- (b) how much has been spent, so far, and in which projects.

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I beg to request that this Question be deferred because there are certain details which are not available yet.

Mr. Deputy Speaker: But have you provided a written answer here?

The Minister of State, Office of the President (Maj. Madoka): But there are certain details which are lacking and we would like to correct that.

Mr. Deputy Speaker: What do you have to say about that, Mr. Mwenje?

Mr. Mwenje: Mr. Deputy Speaker, Sir, I would like to believe the Minister and I am prepared to wait.

Mr. Deputy Speaker: I will defer that Question to Wednesday, next week. Next Question, Mr. Wambua!

(Question deferred)

Question No.017

SIZE OF GOVERNMENT LAND AT KITHIMANI

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

- (a) whether he could inform the House the acreage of Government land at Kithimani Divisional Headquarters, plot No.12/10, on which all the Government offices and residential houses are located;
- (b) whether he is aware that the said land plot is being sub-divided by some councillors of Matuu Town Council, together with the DO Yatta; and,
- (c) what action he is taking to protect the said land.

Mr. Deputy Speaker, Sir, I would like to register my disappointment that I have not received a written answer.

The Minister of State, office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I regret that I have not given a written answer to this Question because I still have a few more facts to check. So, again, I am asking for the indulgence of this House that this Question should also be deferred.

Mr. Wambua: Mr. Deputy Speaker, Sir, this is the second time the Minister has come here and asked for this Question to be deferred. I hope that will be the last time he is doing that because this is an issue of great importance.

Mr. Deputy Speaker: So, what is the difficulty, if this Question had been deferred before?

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, I will answer that Question tomorrow in the afternoon.

Mr. Deputy Speaker: Okay. Next Question.

(Question deferred)

Question No.079

SCHOOL FUNDS IN COLLAPSED BANKS

Mr. Deputy Speaker: Mr. Ochilo-Ayacko is not here? We will come back to that Question later. Next Question, Mr. Kombe!

Question No.132

DEPENDENCE ON RAIN-FED AGRICULTURE

Mr. Deputy Speaker: Mr. Kombe is not here? We will come back to that Question later. Next Question, Mr. Katuku!

Question No.004

CONSTRUCTION OF BRIDGES ON
WAMUNYU-KALAWA ROAD

Mr. Wambua, on behalf of **Mr. Katuku**, asked the Minister for Roads and Public Works:-

- (a) whether he could inform the House the number of bridges and drifts to be constructed on Wamunyu-Kalawa Road, currently under construction;
- (b) whether he is satisfied with the construction works of the bridges and drifts; and,
- (c) in view of the fact that during the rainy season the said rivers are difficult to cross, whether he could consider constructing bridges on all the rivers on the said roads.

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

(a) There are no bridges to be constructed on the Wamunyu-Kalawa Road. However, there are three new drifts that have been constructed on the road and one existing drift has just been repaired.

(b) I am satisfied with the construction of the three drifts located on kilometres 19, 22 and 38. The fourth drift near Katulani Market at Kilometre 16 has been repaired.

(c) The rivers crossing the road are seasonal. It will, therefore, not be economically justifiable to construct bridges across these rivers.

Mr. Wambua: Mr. Deputy Speaker, Sir, the Assistant Minister has agreed that there are three rivers which cross the road during the rainy season. Now, although the rivers are seasonal, the people of that area usually suffer very much because of over-flooding. Now, in view of that information, could he consider allocating money for the construction of permanent bridges which will solve this problem once and for all?

Eng. Rotich: Mr. Deputy Speaker, Sir, the Ministry is studying and designing the bridges. If the cost implications are within our limits, we shall do them. But the study is now on, to design and cost the four bridges.

Mr. Wambua: Mr. Deputy Speaker, Sir, could the Assistant Minister tell us when the designing and costing of these bridges will be ready?

Eng. Rotich: Mr. Deputy Speaker, Sir, this will be ready in two months time, from next week.

Mr. Deputy Speaker: Mr. Ochilo-Ayacko's Question for the second time?

Mr. Ochilo-Ayacko: Mr. Deputy Speaker, Sir, I am sorry for coming late. However, I beg to ask my Question.

Question No.079

SCHOOL FUNDS IN COLLAPSED BANKS

Mr. Ochilo-Ayacko asked the Minister for Education:-

- (a) whether he could give a list of schools from Rongo and the amounts belonging to the said schools that are held in collapsed banks and financial institutions; and,
- (b) what the fate of these monies is.

The Assistant Minister for Education, Science and Technology (Mr. Karauri): Mr. Deputy Speaker, Sir, I beg to reply.

(a) Only two schools, Ndede Girls and Kanga High School in Rongo Constituency have money held in the collapsed Thabiti Finance Company. The amount belonging to the said schools are Kshs20,000 and Kshs1,926,627.20

respectively. The affected schools in Rongo Constituency have so far been paid a total of Kshs1,854,319.35 out of the initial Kshs3,800,000,946.55 by the Receiver of Thabiti Finance Company.

(b) The payment is on a continuous basis as the Receiver gets money.

Mr. Ochilo-Ayacko: Mr. Deputy Speaker, Sir, the instructions that I have here are that there are several schools from Rongo Constituency whose monies are being held by Thabiti Finance. Could the Assistant Minister give the whole list of names, even of the schools to which, to his knowledge, the monies have been paid? These should be the schools that had money deposited at Thabiti Finance.

Mr. Karauri: Mr. Deputy Speaker, Sir, according to the information that I have, no other schools apart from the three schools that I have mentioned, deposited money with Thabiti Finance. There are 15 schools in that Constituency, but only these three schools deposited money with Thabiti Finance.

Mr. Ochilo-Ayacko: On a point of order, Mr. Deputy Speaker, Sir. Is it in order for the Assistant Minister to give the names of two schools and then later on talk of three schools? Could he give the name of the third school?

Mr. Karauri: Mr. Deputy Speaker, Sir, I mentioned only two schools because the Question has asked about the money owed. Kokulo High School deposited Kshs492,382, but all this money was paid back to the school.

Mr. Ochilo-Ayacko: Mr. Deputy Speaker, Sir, could the Assistant Minister tell this House when the balance of Kshs1.8 million will be paid to the schools that are owed this money?

Mr. Karauri: Mr. Deputy Speaker, Sir, the Receiver Manager continues to collect money from the debtors. As he collects that money, he will pay the schools. I cannot say exactly when he will complete paying the money.

Mr. Omamba: On a point of order, Mr. Deputy Speaker, Sir. I have witnessed the discussion and queries of the parents of Dede Secondary School in Sakwa, Rongo Constituency. They collected so much money and deposited it with Thabiti Finance to buy a bus. To date, that money is not there. When the Assistant Minister gave the names of the schools that are owed money by Thabiti Finance, he did not mention Dede Secondary School. Is it true or not that Dede Secondary School is included in the list of the schools whose money is being held by the collapsed finance institutions?

Mr. Karauri: Mr. Deputy Speaker, Sir, you will agree that that was a question and not a point of order and yet I am required to answer it. The school that he has talked about is not among the schools in this Constituency.

Mr. Ngure: Mr. Deputy Speaker, Sir, I think the Assistant Minister has told the House of the past regarding the money that was deposited in the collapsed Thabiti Finance. I have evidence to prove that Thabiti Finance is now disbursing the last payment of money that it held. Could the Assistant Minister tell us why the schools are not receiving the last monies that they deposited? Other institutions are receiving their monies from the Receiver Manager, who was appointed by the Central Bank of Kenya.

Mr. Karauri: Mr. Deputy Speaker, Sir, as it normally happens, when a collapsed bank announces payments through the Receiver Manager, all the depositors are supposed to go and apply to withdraw the money that they had deposited there. Schools are also just like anybody else. If everybody else has been and schools have been left out, that is not a question that I can answer, but I can check.

Mr. Wanjala: Mr. Deputy Speaker, Sir, in this country there have been mushrooming of banks which have ripped off Kenyans of a lot of money. Could we be told who were the directors of Thabiti Finance?

Mr. Karauri: Mr. Deputy Speaker, Sir, the hon. Member can check that information with the Registrar of Companies.

Mr. Wanjala: Mr. Deputy Speaker, Sir, I did not get his answer. Could he come again?

Mr. Karauri: Mr. Deputy Speaker, Sir, when a company's name is known, an hon. Member cannot come here to ask who the directors are because he can also check the directors from the Registrar of Companies' office.

Mr. Wanjala: Mr. Deputy Speaker, Sir, the Assistant Minister must have come here prepared to answer supplementary questions from the hon. Members of Parliament. It is not all of us who should go to the Registrar of Companies' office to check the names of directors of companies. We ask these Questions so that when Ministers come up to answer them, they provide answers, including answers to supplementary questions. Could he tell us the directors of Thabiti Finance? Why is he protecting them?

Mr. Deputy Speaker: Order! That, strictly speaking, is not a question arising out of the answer that the Assistant Minister gave on this Question. It is public information, anyway, in any event. So, he cannot be protecting them when it is information that you can go and obtain even without asking him for it. So, Mr. Wanjala, the Assistant Minister is sailing very close to the wind, but I will let him get away with it this time.

Mr. Ochilo-Ayacko: Mr. Deputy Speaker, Sir, we know that public schools are experiencing difficulties in running their own affairs because of budgetary constraints. What directives has the Ministry put in place to ascertain that in future, schools' monies are not deposited in politically-correct banks or shaky institutions?

Mr. Karauri: Mr. Deputy Speaker, Sir, hon. Members of this House are members of boards of governors in

their constituencies. I would urge them to assist schools in choosing where to deposit money.

Mr. Ochilo-Ayacko: On a point of order, Mr. Deputy Speaker, Sir. Certainly, my question has not been answered. I asked about the role of the Ministry. I know what we can do as members of boards of governors, but what is the Ministry doing? Unless the Ministry is abdicating its responsibility, could the Assistant Minister answer my question?

Mr. Karauri: Mr. Deputy Speaker, Sir, I thought I answered the question correctly. The boards of governors manage the schools on behalf of the Minister for Education. We cannot direct schools to bank their money in this or the other bank. It is up to the boards of governors to decide what to do.

Mr. Deputy Speaker: Mr. Assistant Minister, the Government is in a position to get the performance status of all these banks. I think it is only fair that if you know that banks are collapsing, as they are, you should advise the schools as to which banks you consider sound enough to bank with. This is not so big an issue really.

Mr. Karauri: Mr. Deputy Speaker, Sir, this is not a big issue. We can only advise schools to bank their money in sound banks, but we cannot choose for them which banks to bank with.

Mr. Deputy Speaker: So, you tell the schools which banks are sound?

Mr. Karauri: Yes, Mr. Deputy Speaker, Sir.

Question No.132

DEPENDENCE ON RAIN-FED AGRICULTURE

Mr. Kombe asked the Minister for Agriculture:-

- (a) whether he is aware that one of the major problems in Kenya's agricultural sector is over-dependence on rain-fed agriculture;
- (b) whether he is also aware that irrigation is crucial to the development of agriculture given that about 80 per cent of the country's land surface falls under arid and semi arid land (ASAL) areas; and,
- (c) what immediate measures he has to provide irrigation to these areas in order to develop the agricultural sector.

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

(a) I am aware that agricultural development in Kenya relies heavily on rain-fed and flood plains for production.

(b) Also, I am aware that irrigation is one of the interventions for enhanced agricultural production, especially in the ASAL areas. The Ministry is promoting farmer-managed small holder irrigation schemes operating in parts of the ASAL areas which include Garissa, Mandela, lower Tana, Taveta, Matungu and Turkana schemes. These schemes are developed with the farmers, operated and maintained by farmers. These projects mainly grow food crops to enhance household food security.

(c) The Ministry is also working on a draft Sessional Paper on irrigation and drainage development to guide future growth of the sub-sector wherever the potential exists. In addition, the Ministry is promoting livestock keeping under improved and environmentally sustainable management practices for the pastoralists in some ASAL areas, who prefer livestock farming to crop production.

However, these strategies can only contribute to improved development of the agricultural sector with better support services such as improved rural access roads, better marketing facilities, affordable agricultural credit, the development of the required water resources among others.

Mr. Kombe: Mr. Deputy Speaker, Sir, this is a good answer as usual. However, I fail to understand part of it. This is because the Assistant Minister in his response, has said that finally the Ministry is also working on a Draft Sessional Paper. I do not know whether he is aware that in this National Development Plan, the Ministry said that Sessional Paper will be ready by 1998. So, what has caused the delay?

Mr. Khaniri: Mr. Deputy Speaker, Sir, we started working on this Sessional Paper two years ago; that was in 1998. We asked for the budgetary provisions in the Budget of 1998/1999, but we did not receive adequate budgetary allocations. Therefore, we anticipate to be ready with the report by this coming financial year.

Mr. Deputy Speaker: What did you want the budgetary allocations for?

Mr. Khaniri: Mr. Deputy Speaker, Sir, to work on a Sessional Paper we need to go to the field.

Mr. Deputy Speaker: Does the Ministry not have field officers?

Mr. Khaniri: Mr. Deputy Speaker, Sir, the field officers need money to operate, for fuel and doing their research.

Mr. Kombe: Mr. Deputy Speaker, Sir, only a few areas have been mentioned here. I do not know whether

the Assistant Minister has got any plans for other areas in the Coast Province?

Mr. Khaniri: Mr. Deputy Speaker, Sir, this scheme is supposed to be done in stages and I just mentioned the first districts that we are going to start with. Those are: Turkana, Matungu, Mandera, Lower Tana, Taveta and Garissa.

Mr. Deputy Speaker: Question No. 1 by Private Notice. Mr. Kombo.

Mr. Kombo: Mr. Deputy Speaker, Sir, the Minister has asked me now that he would like the Question deferred and I have accepted. However, I think he should tell us when he will answer the Question.

Mr. Deputy Speaker: The Minister cannot ask you to defer a Question because it is now the property of the House. Ask your Question.

QUESTIONS BY PRIVATE NOTICE RESTORATION OF SECURITY IN LUGARI/MATISI

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

(a) Is the Minister aware that the Sub-Chief of Malaba Sub-location of Misikhu Location of Webuye Constituency is unable to perform his duties because of thuggery and that on 8th April, 2000, the said Sub-Chief and over 10 people of Lugari village and Matisi Market were attacked in the night and received no help from the police?

(b) Is he further aware that 16 innocent villagers were arrested, illegally confined and tortured in police cells for four days and made to pay Kshs5,000 as police bond but no receipts were issued?

(c) What is the Minister doing to ensure that security in Lugari/Matisi is restored so that villagers who are now spending nights in the bushes can return to their homes and the sub-chief resume his duties?

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, we have discussed this Question with the hon. Member and the circumstances have changed. So, we have agreed that we request that it be deferred so that we can carry out further consultations.

Mr. Deputy Speaker: Mr. Minister, you are not doing very well today; are you?

The Minister of State, Office of the President (Maj. Madoka): I am, Sir.

Mr. Deputy Speaker: This is the third Question that is being deferred at your request. This is 100 per cent or three out of three.

The Minister of State, Office of the President (Maj. Madoka): Mr. Deputy Speaker, Sir, that is correct, but I think on this one, the hon. Member knows why we are deferring it.

Mr. Deputy Speaker: Hon. Members, let me say this hoping this will be the last time: Once a Question has been asked and it has appeared on the Order Paper, it belongs to the House. So, these "kiosk" negotiations must not take place. If you have a problem asking a Question, this is the best place where you must come and state it. So, please, let us not hear about Members having negotiated to defer a Question because those Questions no longer belong to them once they appear on the Order Paper. The Question is, therefore, deferred.

Next Question.

(Question deferred)

DISCIPLINARY ACTION AGAINST MEAT TRAINING INSTITUTE PRINCIPAL

(Col Kiluta) to ask the Minister for Agriculture:-

(a) Is the Minister aware that the Principal, Kenya Meat Training Institute, has been collecting money from his subordinate staff allegedly for power supply rationing?

(b) Is he also aware that the Principal has been collecting money from the Government farms and not surrendering the same to the Government?

(c) What disciplinary action is the Minister taking against the officer?

Mr. Ndilinge: Mr. Deputy Speaker, Sir, hon. Col. Kiluta has just rushed to his office to pick facts for this Question.

Mr. Deputy Speaker: Hon. Ndilinge, you have been here long enough to know what happens to Questions by Private Notice. If he is not here to ask it, we cannot go back to it. So, that Question is dropped.

(Question dropped)

POLLUTION OF ATHI/THWAKE RIVER

(Mr. Kalulu) kumuuliza Waziri wa Mazingira:-

(a) Je, Waziri anafahamu kuwa mifereji ya maji machafu humwaga uchafu huo ndani ya mito Athi na Thwake na kwamba wakaazi wa Ukambani huyatumia maji hayo kwa mahitaji yao ya nyumbani

na mifugo?

(b) Je, Serikali ina mipango gani ya kuzuia uchafuaji wa mito hiyo ili kuepuka maradhi ya tumbo, inayowakumba wakaazi wa sehemu hizo, kutokana na maji machafu?

Mr. Deputy Speaker: Hon. Kalulu is not here too? Question dropped. Next Order!

(Question dropped)

MOTIONS

AMENDMENT OF CENTRAL BANK OF KENYA ACT

Mr. Donde: Mr. Deputy Speaker, Sir, I beg to move the following Motion:-

THAT, this House do grant leave to introduce a Bill entitled an Act of Parliament to amend the Central Bank of Kenya Act (Cap 491) of the Laws of Kenya in order to:-

(i) harmonize the rate of interest that commercial banks and financial institutions charge on loans; and

(ii) limit the amount of Treasury Bills that can be sold per week.

Mr. Deputy Speaker, Sir, in the early 1990s, there was a new wave sweeping the country to introduce more political, social and economic freedom in the country. In response to this, the financial sector had to restructure itself at that particular time. As a result, three vital sections of the Central Bank of Kenya Act (Cap 491) were repealed in toto to accommodate the new liberalised thinking in the country.

Mr. Deputy Speaker, Sir, in 1996, this honourable House repealed Section 39 of the Central Bank of Kenya Act which dealt with the level of interest rates that commercial banks and financial institutions would charge to their customers on loan balances. At that time, this honourable House also repealed Section 47 which gave the Central Bank authority to purchase, hold or sell negotiable securities or any maturities issued by the Government or by any other public body at that time.

Mr. Deputy Speaker, Sir, this honourable House also repealed Section 48 that governed the limitation of that borrowing at that time. Nobody can question the wisdom of this House in repealing those three sections at that time. This is because the mood has been that there should be more freedom in political, social and economic areas. However, the freedom which was given to financial institutions to operate freely in an open market has been abused by most of these financial institutions.

In moving this Motion, I am not saying that we should stop the financial institutions from operating freely. But we need to check the abuses which most of the financial institutions have engaged in. For example, at the moment, the market interest rates are 10.98 per cent, going by the Treasury Bills rates during the week. At the moment, most financial institutions are charging interest rates of above 26 per cent up to 30 per cent on loan balances. So, you can see that the financial institutions are abusing their freedom. They are subjecting their customers, households, commerce and businesses to untold suffering. The Government is the biggest player in the economy. If the Government is the biggest player in the economy, and has managed to reduce the rate of Treasury Bills down to 10.98 per cent by this week, there is no good reason why commercial banks should be charging households, commerce and industries interests rates which, in effect, have broken households, destroyed businesses and industries. So, I think it is time that this House put some regulations to govern the freedom that we have given to financial institutions.

Mr. Deputy Speaker, Sir, you will agree with me that, even the repeal of Section 2A in itself, was not enough. It brought multi-party politics. But we soon realised that we needed to check the freedom of the multi-party politics. As a result, the Inter-Parties Parliamentary Group (IPPG) came in and, as you can see now, we still have the constitutional review process because the political freedom given by repealing Section 2A, without regulations to govern how that freedom will operate, is open to abuse. So, the repeal of Sections 39, 47 and 48 of the Central Bank Act of 1996 in effect gave financial institutions a lot of freedom. But what this House forgot to do was to put in place regulations which could govern that freedom. As a result, this country has been dismembered by banks. The high interest rates that they charge on loans to households, businesses and industries have destroyed most family savings for years. Most families who had saved to build homes and do business have been driven into bankruptcy. The financial institutions are now busy trying to break the record of making billions in profit. In fact, at that time, the banks were competing to see which one could make Kshs1 billion first. By doing this, they destroyed the economy of this country. They destroyed the same customers who were helping to build the economy of this country. So, it is very important for this House to come up with regulations which will check the excessiveness of financial institutions. I think this is very important. It is incumbent upon this House to introduce a legislation which will be put in Cap 491, to make sure that the financial institutions do not abuse the freedom that this House gave them in 1996.

Mr. Deputy Speaker, Sir, there is also another issue to do with borrowing. By the repeal of Section 47 and 48, it meant that the Government could now borrow at any time, and at any level. As a result, the domestic debt rose

quickly to the present level of about Kshs160 billion. This House has control over the Budget. But it does not have control on how much the Government can borrow. This is decided by two or three people in the Treasury. It is putting the burden on the people of Kenya. For example, at the moment, the domestic debt is about Kshs160 billion. Of late, the interest rates have been at 20 per cent. This means that the Government has been paying Kshs32 billion per year at 20 per cent on Treasury Bills as interest on domestic borrowing. This is passed to the taxpayers. The Kshs32 billion just to pay interest rates on Treasury Bills means that the much needed money, which can be put into developing the infrastructure and the economy, is not there.

So, it is important for this House to check the amount of money that the Treasury can borrow. It is important that this House brings in a legislation which will let the Treasury be able to borrow, but that borrowing should be limited. If they want to borrow a certain amount of money above a certain limit, they must come and seek authority from Parliament. How do we find ourselves having a domestic borrowing of Kshs160 billion? Parliament is responsible for putting the Budget in place. But over the years, because it has not had any control over borrowing, the Government has been able to over-spend on its Budget, and just buy Treasury Bills. As a result, we have found ourselves in a situation where the Government is paying Kshs32 billion per year as interest for borrowing domestically. This is unacceptable in the present status. Therefore, it is important that a mechanism be found so that the Treasury can borrow in short-term, and also be limited on the amount of borrowing per week. For example, at the moment, the Treasury is borrowing at the rate of Kshs8 billion a week. Last week on Friday, we saw in the newspapers that the Treasury Bills requirement for the week was Kshs8 billion. The previous week was also Kshs8 billion. You can see that there is no effort being made to retire some of the domestic debts. Even when the interest rates have gone down to 11 per cent, one would have expected the borrowing to be frozen by the Treasury, by retiring some of the debts to reduce the burden. This has not been the case. So, it would be a circus if this House approves Budgets, but does not have the capacity to determine or limit what the Treasury can borrow.

Mr. Deputy Speaker: Hon. Donde, in fact, there is a limit! If you look at the Central Bank of Kenya Act, the Government cannot borrow more than 5 per cent of the---

Mr. Donde: Mr. Deputy Speaker, Sir, that limit has not been used because, at the moment, if you calculate the amount of money that we have borrowed, it is more than five per cent! For your information, that particular Act was repealed in 1996. I have already mentioned it here.

Mr. Deputy Speaker: Order, hon. Donde! That Act was amended to reduce the borrowing from what it was before to five per cent. In fact, the hon. Minister answered the Question on the percentage of the audited expenditure the year before.

Mr. Keriri: On a point of order, Mr. Deputy Speaker, Sir. I would like to seek the Chair's guidance on the point which has just been raised. Five per cent limit on borrowing is on borrowing from the Central Bank of Kenya, not on Treasury Bills. That is my understanding of that point.

Mr. Deputy Speaker: Who operates the Treasury Bills? The Treasury does not go out there itself to trade the Treasury Bills; it is the Central Bank which does it!

Mr. Donde: Mr. Deputy Speaker, Sir, that is also my understanding of it. I stand to be corrected on what I am saying. I do believe in that and I have done my research on that. I know that what I am saying is correct.

My concern is also on the level of interest rates. It is important that this House puts a mechanism in place whereby financial institutions will only be allowed to charge a certain rate of interest above the 12 Weeks Moving Average Interest Rate. For example, this week's 12 Weeks Moving Average Interest Rate is 11.6 per cent. That is what the Treasury Bills were last week. There is no good reason why commercial banks should charge six per cent interest rate over that amount. I think we need to bring a regulation to say that, if the Treasury Bills 12 Weeks Moving Average Interest Rates is 11.6 per cent, the commercial banks ought to limit their loan interest rates to a maximum of six per cent, away from the 12 Weeks Moving Average Interest Rates.

For example, at the moment, the maximum interest rates that the commercial banks should charge their customers should be 17 per cent and not 31 or 32 per cent, as it is being charged. So, I think the financial institutions have abused their freedom; they have not used their freedom in a very responsible way. Therefore, like any other freedom given under any law, there must be a limit to govern that freedom. Therefore, it is wrong for this august House to have repealed those sections without putting in place a mechanism to check the freedom that was given to the banks. So, I would urge this august House to bring an legislation to make sure that banks can only charge a certain maximum. I think, six per cent would be a very reasonable amount of money, away from the official Treasury Bill rates. This way we shall be able to protect households, individuals, business people, who have nobody to protect them against these banks.

Mr. Deputy Speaker, Sir, the other day I was very much surprised when the Minister for Finance was giving an excuse by saying that the banks cannot lower their interest rates because they are paying their staff very high salaries. I thought that, that argument was really absurd. Banks cannot punish their customers because they want to pay

their clerks Kshs150,000 per month. Secretaries in banks earn about Kshs120,000 per month. For a Minister to come and argue that, because they pay their staff high salaries, therefore, they have to penalise the customers, is wrong and a big shame.

Mr. Deputy Speaker, Sir, it is now very crucial that, if this economy has to jump-start, business people must be able to borrow at reasonable interest rates. There is no way that this economy will get off the ground unless the Treasury Bills come down up to six per cent. There is no way that this economy can jump-start, unless commercial banks charge interest rates of around 10 to 12 per cent on loans given to their customers. This is because at the moment, there is no business in Kenya, in the present circumstance, that can benefit a customer, if the customer is being charged 25 per cent interest rate. It is not possible! In fact, these financial institutions have crippled this country because of the unchecked manner in which they are operating.

Mr. Deputy Speaker, Sir, there are many Members of Parliament in this House who have gone to the banks and borrowed, say, Kshs2 million and within two to three years, they are told that, they have to pay Kshs11 million. It is a very common thing and most Members in this House, I am sure, have found themselves in that kind of a situation. This is as a result of lack of checks on how these banks are operating. Nobody is putting in place any mechanism to make sure that the customers are protected. Banks know that, when you make a commitment, for example, to go and borrow from a bank an amount of Kshs3 million, it is not easy for you to move from that bank to another, even if you knew that the other bank is charging a little bit less. This is because it is not practical to move between banks or to change banks. Banks are taking advantage of this situation to exploit their own customers.

So, I would urge this House to support this Motion so that we can come to the rescue of this country and help it make some progress in improving the economy. This is because as it is now, it is not possible for businessmen and industries to make any profits in their day-to-day operations. One has to go to the Industrial Area to see how many idle industries there are. They have very idle capacity, idle labour and land. Nearly everything in Kenya is idle because nobody can borrow at the present interest rates. It is not possible. So, we need to make use of our idle capacity, and the only way to make use of our capacity is to make it possible for business people and industries to borrow from banks, so that they can jump-start the economy.

Mr. Deputy Speaker, Sir, I would urge this House to support this Motion so that we can put in place a mechanism which can rescue most of the collapsing businesses and industries.

I beg to request this House to support this Motion, and I call upon my friend, hon. Kajwang, to second the Motion.

Mr. Kajwang: Thank you, Mr. Deputy Speaker, Sir. I want to support this Motion with a little passion because I think that, it is these interest rates which have destroyed this economy. Until and unless this House controls the interest rates which the banks charge, this economy will continue to go down and many businesses will close down; many businessmen will commit suicide because their businesses have collapsed.

What is the role of the Central Bank in any economy? Its first role is to control the interest rates. If you ask the Minister for Finance what the fiscal policy of this country is, instead of telling you that they control interest rates in this manner, because they have already repealed the section which controls it, they say that, "our economy is open." So, any bank can do what it likes. Our international banks which are supposedly a little more secure have become "rogue" banks. They are "rogue" banks and I will give you an example. In 1992, a businessman took a loan at an interest rate of 19 per cent. In that contract, it was agreed that, they may vary interest rates as time goes by. Of course, they may increase it, but they may not reduce it. That is what they meant by varying the interest rates.

In 1993, this House repealed Section 39, and the interest rate of 19 per cent jumped to 71 per cent!

Mr. Deputy Speaker, Sir, any businessman who did some appraisal and took it to the bank, and the bank looked at it and said that he was going to make that kind of profit margin; then he is able to pay that money at an interest rate of 19 per cent, is bombarded with an interest rate of 71 per cent. How can such a business survive? Of course, most businesses and banks collapsed. The tragedy is that those banks also collapsed because people could not repay. So, we destroyed the businessmen and the banks. The consequence is that, we remained with only a few international banks, like Barclays Bank and Standard Chartered Bank, and all those other international banks. Now, they have made "obscene" profits. Why do I say so? First of all, they made a rule that every farmer, fisherman or teacher, can only bank with them if they are going to put Kshs10,000 in some current accounts which will not attract any interest. Kshs10,000 of one million banking clients is a hefty sum of money; it runs into several billions. That money is not borrowed by businessmen because they cannot repay it at 33 per cent. It is deposited at the Treasury. The banks have forgotten how to appraise loan applications. In fact, I think they have no such departments any more because they do not need to look at loan appraisals when they are going to make easy money through Treasury Bills. So, the only thing they know is to call and say: "Roll that over for another 91 days". That is the business that the banks are doing. How can this country allow anything like that to happen? Britain cannot allow it. The other day, I was listening to the Voice of America and it was said that the Reserve Bank was going to check on whether to increase or

reduce interest rates. If America, the free economy which we know about, is controlling its interest rates; if Japan, the free economy, is controlling its interest rates, if Britain, our colonial power, is controlling its interest rates; what is this "freedom" that we are allowing in this poor country? Is this freedom to destroy or improve our economy? Or is it freedom to loot?

(Applause)

I have never seen an economy in which everybody is doing poorly, while industries and businesses are collapsing. But the only institutions which are making profit in this country in billions are banks. How do you make billions when everybody else is poor? There must be something wrong here. They are competing as to who is making more billions than the other. Of course, the Kenya Commercial Bank (KCB) and Barclays Bank are making billions. We watch them and wonder how a bank which relies on business can make billions when the businesses are collapsing. There is something wrong because they are not trading. They have forgotten about the business of banking. They are now in the business of buying Treasury Bills and making millions. There must be a limit between how much the banks will give and charge in interest rates. There was a time when you were sure that, if you put your money in a bank, you would be given 15 per cent and the banks would charge 19 per cent and not more. There was a differential of 4 per cent. That is business. But today, you put your money in a bank and get nothing and they charge 33 per cent. So, they make 33 per cent profit. From what kind of business? So, there must be some restrictions and we are serious about this. If the Minister for Finance is not going to do it, we are going to find a way of forcing this Government to do something about this because we are destroying our people. Soon or later, everybody in this House is going to be bankrupt except a few, not because of a mistake of their own but they borrowed some Kshs300,000 at a decent interest rate of 19 per cent but it turned out to be 71 per cent and then they came down to 43 per cent. There is one which is still charging 43 per cent. This country must control this dangerous animal called interest rates. We must control these banks.

Who are the shareholders of Barclays Bank and Standard Chartered Bank? If the shareholders were Kenyans, we would say then, we are looting our people and paying our people in dividends. But we are looting our people and paying Wazungus. Which economy are we building? We are depleting this economy and building economies abroad. We cannot allow that to continue. So, what is the benefit that this country is getting from this kind of freedom? The Minister should tell us what kind of benefit we are getting, and the loss we are likely to incur if we restrict them. We want to hear that, so that we can support them if they are right. But I am sure they are wrong and we are suffering.

Mr. Deputy Speaker, Sir, the biggest enemy to this economy now, and I was looking at the *Economic Survey*, they did not even mention it, is the domestic debt. The domestic debt has grown to levels which cannot be sustained. It is continuing to grow at those levels because of the interest rates. If we had controlled the interest rates in 1993, we would not have this kind of domestic debt. Most of it has been interest rolled over and turned into capital. We want the Treasury to be serious and in this Finance Bill which the Minister is bringing this year, we want to see an amendment to the Banking Act. We want to see a re-introduction of Section 39 which was repealed. We cannot leave this economy in the hands of thieves and looters. Ours are small-timers; the looters are the multinationals like Barclays Bank, Standard Chartered Bank and many others. Also, insurance companies are looters because they collect the money for free. They make their money from Treasury Bills, but they do not know how to trade any more. We must bring up our businessmen once again. We must give them confidence that when they borrow, they can repay. If you make me feel that, if I borrow I cannot pay, I will not invest. If I do not invest, there will be no capital growth. How will we eradicate poverty, if our people cannot invest? This is a serious matter and we want to see some limitation.

I want the Minister to assure us that from today henceforth, if we put our money in the banks, whether it is Kshs5, we will be given so much interest. Thank you very much.

With those few remarks, I beg to support.

(Question proposed)

Mr. Keriri: Thank you, Mr. Deputy Speaker, Sir. I stand to support this Motion.

Mr. Deputy Speaker, Sir, the rate of growth of the economy in any country and this country, in particular, depends very much on the rate of investment. As we stand now, the rate of investment in Kenya is so low that we risk having zero-growth rate or a negative growth rate. One of the things that assists the rate of investment is the borrowing by the investor and not borrowing by the Treasury. This Government has punished the investor in two ways; one, by over-borrowing on Treasury Bills and therefore, denying the ordinary investor funds to invest in development. Two, by allowing the banks to charge so fantastically high interest rates, that the investors or industrialists or businessmen cannot borrow.

Mr. Deputy Speaker, Sir, if you cannot borrow, you cannot invest. As we know it in economics, one's own

money is only a small percentage of what one invests. The banks have taken advantage of the freedom Parliament has given them to charge very high interest rates. When Treasury Bill (TB) interest rates go up, banks move very first, the following day, to raise their interest rates. However, when TB interest rates go down, banks do not move as fast to reduce their lending interest rates; they, in fact, stay for as long as six months before they consider reducing their lending interest rates. When you ask their managements why they do not adjust their lending rates downwards to reflect the reduction in TB rates, they say: "We are watching to see whether the TB rates are going to stabilise at that rate". Who are they to watch the Government? Do they not trust that the Government means what it does? If this Government cannot be trusted by banks, who else can trust it?

Mr. Deputy Speaker, Sir, when the TB rates went up in the mid-1990s, bank interest rates went up to between 40 and 45 per cent. It took about three years for those rates to fall to 35 per cent. It then took them another two years to come to anywhere near 30 per cent, and TB rates continued to go down. Let us take the mortgage finance companies such as the Housing Finance Company of Kenya (HFCK), and Savings and Loans Ltd. Two years ago, TB rates went up; the lending rates of those companies went up to 26 per cent for ordinary residential houses borrowers.

Early last year, when the TB rates fell, those housing companies reduced their lending rates to 22 per cent. Our friend here, the Assistant Minister for Finance, was in the know having been part of the system; we all said: "Thank you for having those housing finance companies lending rates fall to 22 per cent". When the TB rates went up only slightly, the managements of those housing finance companies said: "The TB rates are not standing where we thought they would". So, they increased their lending rates to 26 per cent for residential housing borrowers and up to 29 per cent for commercial housing borrowers. Since then, the TB rates have gone down from 12 per cent to about nine per cent recently. However, those housing finance companies rates still stand at 26 per cent and 29 per cent for residential housing borrowers and commercial housing borrowers respectively.

Mr. Deputy Speaker, Sir, this is freedom that we can no longer afford to allow banks to enjoy. It is crazy for us to allow banks to do this to Kenyans. There is another point about the so called "prime rate". The ordinary person is normally cheated by banks by being told about this rate. Recently, the Standard Chartered Bank and the Barclays Bank of Kenya reduced their prime rates to 18 and 20 per cent respectively, and people said: "Ooh, that is wonderful!". You see, these are not the true rates people are paying to those banks. When the prime rate is reduced to 20 per cent, you end up paying 27 per cent, because the mark-up rate is 7 per cent. The seven per cent is charged by all banks at will; The Treasury has no say in this charge.

Mr. Deputy Speaker, Sir, we must have this country's Treasury, the Minister for Finance and the Governor of the Central Bank of Kenya to have a say in these matters. After all, the chairmen of the Central Banks in America and Great Britain keep on saying: "We are going to reduce the rate of interest by a quarter of 1 per cent tomorrow", and banks in those countries implement that directive immediately; they do not wait to see whether those countries' Treasuries and the Central Banks mean it. This country requires more development than those countries; those countries are already developed. Those countries are merely maintaining and repairing their economies. Kenya is developing, and we need to control the rate of interest. Unless we do so, nobody will ever invest in this country.

Who can borrow money at an interest rate of 30 per cent and be able to service that loan? You cannot earn a profit of 30 per cent even if you invest such money. So, you cannot service such a loan. Therefore, as Government, we must control bank lending rates. Doing so is not tantamount to reducing banks' freedom. We shall be telling the banks' managements: "You will behave the way we want this country's economy to behave - we want it to grow at 7 per cent, and not at 1.4 per cent". If this must be done, we must urge that the Government supports this Motion, so that we can regulate the ways in which bank interest rates move up and down; we cannot afford to allow banks to control this.

Mr. Deputy Speaker, Sir, there is one more point I would like to clarify. There is a difference between the borrowing under Sections 46 and 47 of the Central Bank of Kenya Act. One of the Sections provides for direct advances by the Central Bank to the Government; under this Section, borrowing is restricted to 5 per cent of Government revenue. I am happy to note that my friend, the Assistant Minister for Finance, is nodding in agreement with what I am saying. However, borrowing through Treasury Bills, Bonds, and other securities, is only restricted by the Government's major borrowing regulations, and not by the Central Bank of Kenya Act as such. So, TBs can go as high as the Minister for Finance wants, if he agrees with the Central Bank of Kenya on whether the TBs can be bought. The more the Government borrows, the higher the bank interest rates, and the less the investment.

We must control commercial banks, because they are behaving very badly. Just recently, banks were made to raise their interest rates very high. Thereafter, they decided they should make more money. They have now restricted the categories of people who should bank with them. Teachers, peasant farmers and *Jua Kali* artisans can no longer bank with commercial banks in this country. Where will these people bank their money if we do not control commercial banks? Should they put their Kshs2,000 salaries into their pockets and spend it in one day, or will they be allowed to bank that money somewhere? We must control commercial banks, so that they can, in fact, allow this country's economy to go the way Kenyans want it to go, and not the way foreign-owned banks want it to go.

I hope that by hiring foreigners to manage the Kenya Commercial Bank, we are not asking them to tell the bank: "Please, do what we did in the other banks; chase peasants, teachers, and others, from being customers of this bank". I hope that this will not happen; if this happens, ordinary Kenyans will have no bank in which to put their money. I hope that the Kenya Commercial Bank will continue receiving teachers' salaries and deposits from peasants, *Jua Kali* artisans, and other small savers. If Kenya Commercial Bank follows what the Barclays Bank of Kenya and the Standard Chartered Bank did, we will be at a loss; we will be in trouble.

With those few words, I beg to support.

The Assistant Minister for Education, Science and Technology (Mr. Karauri): Thank you very much, Mr. Deputy Speaker, Sir, for allowing me to contribute to this Motion. Everybody will agree that the question of interest rates in this country is worrying. This is because, if people cannot borrow from banks, they cannot develop themselves. If the interest rates were manageable, people would borrow to even pay school fees. People who earn salaries would borrow some money from banks to pay school fees for their children and repay that loan from their salaries. Savings and credit societies (Saccos) have assisted this country a lot. In both rural and urban areas, including where people have no securities such as title deeds, have managed to borrow some money from Saccos at low interest rates, and are repaying the loans through their salaries. With the Saccos, if you sign for a loan at 12 per cent, you will repay that loan to its completion at that same rate.

In the banks, you sign for a loan at 15 per cent interest rate and after three months, you are told that the interest rate has gone up to 26 per cent, and if you default, you might even be required to pay 50 per cent interest. You maybe criminalised by these banks, even though your intention was to borrow money you can manage to pay, but when they continue varying the interest rate, your intention cannot be honoured however much you try. I am saying that what matters, finally, is the substance of the Bill that the hon. Member wishes to introduce in this House later on, so that we can debate on it and see if we can control the gap between what a borrower pays as interest and what a depositor gets from the banks. This is because what is happening in this country is that the gap between what the borrower pays in form of interest and what the depositor gets from the banks is so big. The bank may give you 10 per cent interest when you deposit your money, but if you borrow the same money, you are asked to pay at 30 per cent interest. It is not logical! I think that is stealing, and that is what has made this country poor. The banks will continue to declare colossal sums of money as profit when nobody else in this country can make it in clean business. We hope that when the hon. Member brings this Bill before this House, he will propose a gap, which to me, should be not more than 5 per cent between what a depositor gets for his money and what a borrower pays as interest to those banks.

Mr. Deputy Speaker, Sir, the other thing I would like to touch on is uncertainty in this borrowing. When you borrow say, Kshs100,000 at 20 per cent interest, you are not sure whether you will repay the loan, and when you stop repaying the money because you are not able to, the bank does not even stop the process at that point. I would like to see legislation which states that if a borrower has defaulted for three months, the loan agreement is terminated and they look for a way of recovering their money from that point.

(Applause)

Instead, they wait for three or four years and the Kshs100,000 accrues interest to the tune of Kshs6 million. When you are unable to pay this money, everything you have is sold, because of the Kshs100,000 you borrowed and people think that you are not a good person and you do not have good intentions. I would like to say that you had good intentions, but they varied this money until you were unable to pay it.

Farmers have been clamouring for their own bank because they have been assisted with soft loans given out by the Nordic countries. The loans are given to the Co-operative Bank of Kenya at 3.5 per cent interest rate to give to farmers' co-operative societies, but the interesting thing is that farmers co-operative societies are forced to borrow the same money at almost market rates. When the market rate is 20 per cent, they are told to borrow at 17 per cent interest rate and, yet, this is money which was meant to assist farmers and was given out at 3.5 or 4.5 per cent interest rate. This makes the farmer not to benefit. I think that is why we honestly need some legislation and a farmers bank, so that if they are given money at 4.5 per cent, the farmers decide that the interest rate should not go beyond 5 per cent so that they can benefit.

Mr. Deputy Speaker, Sir, the so-called "base-lending rate" is very misleading. What is it? Banks declare base-lending rates at 18 per cent, but you have to negotiate with the bank manager first. They assess you and you may not be worth that base-lending rate and, therefore, they tell you that they will give you a loan at 25 per cent interest, because they do not trust you although you have security or they do not trust your security. These base lending rates are very misleading. When you are told that base lending rates have gone down to this level, they are not necessarily at the point at which people are borrowing. That is why I am saying that we must regulate the gap between what the borrower pays and what the depositor gets from the banks. It is only through that way that we can develop, and as I

said earlier on, we can even pay our school fees with this money, if the interest rates were made manageable.

Thank you, Mr. Deputy Speaker, Sir.

Mr. Michuki: Thank you, Mr. Deputy Speaker, Sir, for granting me this opportunity to contribute to this Motion. This Motion has been prompted, in my opinion, by the failure on the part of the Government to manage this economy properly. I stand here to support the sentiments expressed by the Mover because, in the circumstances, there must be a law to force the Government to do what is suitable for this country.

We have attempted to discuss this matter with the Minister for Finance in the Finance, Planning and Trade Committee of this House with a view to getting him to agree that there is a lot of distortion within the administration of the monetary policy in this country. Indeed, there is no administration of monetary policy in this country because the only segment of monetary policy they follow is to control inflation, as if inflation is everything that affects the economy. The Minister has told the Committee that the interest rates now being charged by commercial banks are high because these banks have a very large portfolio of bad and doubtful debts and, therefore, those who are respecting their contractual obligation with the banks must continue to be punished to pay for those who have failed to pay their loans. This is the argument that has been represented to us, and we have said that it is not tenable that in this day and age - 37 years after Independence - that in Kenya, even banks should be allowed to inflict communal punishment on a very obedient banking community. Therefore, the law must come in as proposed in this Motion, to force the Government to take action. If you look at the disparities between interest rates, for example, the deposit rates charged at Kenya Commercial Bank, Barclays Bank or wherever bank, you will see they are not more than five per cent. Each of these big banks hold 40 per cent interest-free deposits, therefore, the effective rate is three per cent. That is all it costs commercial banks to pay for all the money that they have. Then they charge you a base rate of 22 per cent on top of which they put five points above this, which is not declared to the general public as they disclose how much interest rate they are charging. At the end of the day we have people paying between 27 and 35 per cent in form of interest.

Previously, commercial banks have argued that their rates are subordinated to the Treasury Bill rate. In the last three months the Treasury Bill rate has remained at 11 per cent. Why have they not adjusted accordingly? Why is it that the Minister has not seen it fit to do so? Is it because he is at war with the Governor of the Central Bank of Kenya that they do not speak and consult each other on this matter? The Minister must take the responsibility that is imposed on him constitutionally. He must guide this economy. If he cannot, the best way is for him to resign rather than punish 30 million people in Kenya by leaving them at the mercy of commercial and colonial banks. In fact, the Minister now has incentive---

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): On a point of order, Mr. Deputy Speaker, Sir. I think the hon. Member is misleading the House. The Minister has absolutely no quarrel with the Governor of Central Bank of Kenya and they are in constant communication. This needs to be corrected.

Mr. Deputy Speaker: But they can be quarrelling while communicating!

Mr. Michuki: Mr. Deputy Speaker, Sir, I really think that I do not need to respond to that because that is false diplomacy which does not help in the end. If the quarrel is there, it will be there tomorrow and the day after.

I was going to say that the Minister for Finance should welcome developments in the market and he should really involve himself personally in this. For example, when the interest rates were as high as 28 per cent, when the Minister borrowed Kshs158 billion locally, he was paying about Kshs37 billion per year at that interest rate. Now that the rate has come down to 11 per cent he has saved Kshs22 billion according to my calculation. So, he should welcome this development and make sure that nothing goes wrong because he will save the public that cost which is very high.

Therefore, I think this Motion should be fully supported. The Bill should be brought before this House as quickly as possible so that we force the Minister for Finance and the governor of Central Bank, who is his principal advisor, to do what is being done now in Europe, America and everywhere else where the discount rate is controlled by the Government and it is the most valued issue in the movement within the economy. Here, we are told about the free market principles. Which free market is this? Free market with who? Why is there no free market in America? Why is it not there in Britain, Germany, France or the European Community? Why is it that the interest rate is controlled there, unless of course, the Minister in some other form is in cahoots with commercial banks? Therefore, we must get these things right. We cannot allow banks to be laughing all the way to their vaults and balance sheets because of conning Kenyans. In fact, the kind of money they are getting today is sinful and they should be punished by you; if not by you then by God. How can we allow Kenyans, who have no other alternative, to be conned this way?

The Minister for Finance is the only buyer within the Treasury Bill market and, therefore, he is in a position to pay anything he wants. He can pay two per cent if he decides to do so tomorrow because there is no other buyer. He monopolises the market and he behaves as if he is helpless when he has all the powers even within that market. Can we at least get the co-operation to get this Act amended so that this House has a hand in controlling the interest rates with which Kenyans are being punished today.

With those few remarks, I beg to support.

Mr. Maundu: Thank you, Mr. Deputy Speaker, Sir, for giving me the opportunity to make a few comments on a fairly technical subject that belongs to economists and not to ordinary citizens. I would speak as a Kenyan on this particular issue because it has disturbed the people of this country so much. People have always wondered if there is something that can be done to make sure that this situation is put under control. I thank the Mover of this Motion for bringing it in time.

The prevailing interest rates have done a lot of damage to the economic and political activities in this country such that no average Kenyan can make savings. Indeed, all the money that anybody earns in this country is eaten up by interest rates if anybody had borrowed. Due to confusion within the market in this country there is no Kenyan today who can afford a square meal. In fact, if you go to the shopping malls or kiosks you find all Kenyans buying only consumer goods; food and that is all. They are incapable of investing in anything that would generate income for today or in the future.

[Mr. Deputy Speaker left the Chair]

*[The Temporary Deputy Speaker
(Mr. Poghiso) took the Chair]*

A country that cannot develop a serious capital base is a country that is on the brink of collapse. We must admit amongst ourselves that unless we take full charge of the economic circumstances of this country and more particularly by taking charge of the interest rates that are being charged by commercial banks and financial institutions, we are not going to help Kenyans to start building a capital base that will generate income for this country and for its people. How can we make savings? Today we are faced by a crisis of serious magnitude within the energy sector because middle and lower class Kenyans cannot make an investment within that sector if they borrow money. Anybody who touches money today, touches hot coal. You are sure to burn your fingers and to be buried the next day. It is not possible to invest today.

The Government never warned anybody that a crisis of this magnitude would arise in the energy sector, despite the fact that these signals were given way back in 1991 and even earlier. We sat back until a week ago when the Minister woke up and told people to brace themselves for a power catastrophe. Kenyans need this sector because they cannot make any investment without it. The interest rates are so abnormal that you cannot even buy a small generator to run a *Jua Kali* shed. Energy has been made so expensive because it is not possible now to invest within that sector. The Minister for Energy is telling us that by staggering the electricity supply, this sort of programme will give an amount of electricity to Kenyans. We must admit to ourselves that in less than a month or even two months, Kenya will be a "blackout" country. There will be no electricity! Let us be honest with ourselves. With the sort of thing that we are seeing today if we are going to have electricity coming at midnight, school children will not read and that is a fact. Where do we expect to go?

Mr. Temporary Deputy Speaker, Sir, we are told that the Banking Act places such a caveat, that Kenyans do not know who have borrowed what and in which banks. People want to defraud this country under the cover of that caveat within the Banking Act, so that we do not disclose them. When this particular Bill is passed by this House, it should harmonise commercial and financial rates of interest. Also, the list should be availed under the Banking Act, so that Kenyans know who is over-borrowing, to the extent that commercial banks and other financial institutions where public has invested are collapsing. Today, the National Bank of Kenya (NBK) cannot make a financial commitment of more than Kshs20 million to anybody on earth. It is a shame! We know it. It is just like the Tower of Babylon. It is going to collapse any time, whatever measures we take to salvage it.

Mr. Temporary Deputy Speaker, Sir, if we were given the details of those people who have borrowed in those banks, it will be a great shame because some of the sitting Ministers here in this Government and some personalities within the political limelight have borrowed huge sums of money from NBK. They are pushing us so that we as a Parliament, can waive those debts to the detriment of ordinary Kenyans. How can we accept such a programme?

Mr. Temporary Deputy Speaker, Sir, using the Treasury Bills as a means of sourcing Government revenue locally, has hurt the economy of this country. Indeed, the local debt is so overwhelming that this Government, in due course, will be unable to service it. It will continue to hurt the interest rates in this country. There must be a way to regulate this particular sector. I agree with hon. Michuki that, the Government has the monopoly of buying and selling Treasury Bills. This monopoly has caused more harm than good in our economy. There should be a way within the new regulation to find how other financial institutions or banks can participate in such a programme.

Mr. Temporary Deputy Speaker, Sir, if we are going to succeed as a country, we must move as quickly as possible to harmonise the interest rates within our financial institutions and make sure that the economy is well managed. The Minister for Finance is trying his bit. But who is the boss? Is it the Governor of the Central Bank of

Kenya (CBK) or the Minister for Finance? In law, how are the two interrelated or are they operating through mutual understanding and when there crops up personal or other commercial interest, they go on rampage?

Mr. Kajwang: On a point of information, Mr. Temporary Deputy Speaker, Sir. I just want to inform my learned friend that actually the Governor of CBK is an agent for the Minister for Finance. In fact, he is his servant.

Mr. Maundu: Very well, but that has not been in practice in this country. The Governor of CBK has overwhelming powers on certain aspects of the economy, to the extent that the Minister himself is incompetent and unable to perform.

Mr. Maitha: On a point of order, Mr. Temporary Deputy Speaker, Sir. You have heard that the two hon. Members of Parliament are referring to each other as "learned friends". Do we really have learned friends in this Parliament or hon. Members?

Mr. Maundu: Mr. Temporary Deputy Speaker, Sir, in due course, my friend, if he so wishes, may become learned.

(Laughter)

Mr. Temporary Deputy Speaker, Sir, when a Bill is brought here to amend the Central Bank of Kenya Act then, the Bankruptcy Act which relates to the recovery of debts must also be reviewed. This is because it is now being the alternative for quick debt collection. There is no way we are going to allow people to abuse the Bankruptcy Act. It is the alternative of the last resort, where you have a difficulty or impossible client who is not willing to pay and particularly for the person of means. But in this situation, you find businessmen are being sought by their competitors through the courts or people who are trying to score political scores by way of bankruptcy. We must make sure that the loopholes that we have within the Bankruptcy Act are completely sealed, to make sure that it is used as a means of squaring debts when they are genuine and not capable of being recovered by any other means known in law.

Mr. Temporary Deputy Speaker, Sir, I would like to encourage the Minister for Finance to be in charge and bring regulations that will make him to move to the top on the occasion. How can we expect the Ministry of Finance and Planning to say they are unable to control the interest rates in this country or do anything because the market is open? Who closes the market if it becomes so wide? Are we going to allow Kenyans to continue to lose their money in banks? That is one reason why even small banks in this country cannot survive. The moment they try to play around with interest by way of giving less interest rates here and there, they are out-competed by the multinational banks. Sooner than later, they all collapse. That is the experience. We have had almost three changes since Independence where small banks have come up very well and they have closed down.

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

Mr. Murungi: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me an opportunity to contribute to this Motion. I rise to support the Motion that a Bill on the Amendment of the Central Bank Act should be introduced in this House in order to harmonise the rates of interest and limit the amount of the Treasury Bills that can be sold per week by this Government. Under Section 4 of the Central Bank Act Cap.491, the principal role of the CBK is to formulate and implement a monetary policy, conducive for the orderly and balanced economic development of this country. I regret to say that the CBK has betrayed the people of this country and it has totally failed in this function.

Mr. Temporary Deputy Speaker, Sir, as we speak here today, our people are oppressed and exploited by the commercial banks in this country. We read in the newspapers that Barclays Bank of Kenya has declared profits of Kshs4 billion in London. The Standard Bank is also declaring profits. But when you look into the banking structure in this country, you see we have a three-tier "apartheid" system with European multinational banks at the top, Asian banks in the middle and the collapsing or collapsed African banks at the bottom. The indigenous banks which used to understand the needs of the people of this country are no more. Only one or two politically-correct banks are still in existence. Most of the Asian banks have also collapsed. What is left are a few "Shylock" banks which are managed through by super exploitation of their customers. I would like to ask CBK, which is an institution for formulating monetary policy for the benefit of Kenyans, which policies they have introduced in the banking sector that have benefited the indigenous Kenyans in the last ten years? I represent coffee and tea farmers from a rural constituency called South Imenti. We are not getting any services at all from any of those commercial banks. If anything, they just receive money from us.

Mr. Temporary Deputy Speaker, Sir, there is no programme among our commercial banks to support farmers in this country, whereas credit facilities for the agricultural sector are so important for the development of a country like ours. But they are not available in any of our banks. That is why our farmers have been agitating to be allowed to form their own coffee bank, because they feel that if they have their own bank, they can control credit facilities and interest rates so that farmers are accorded loans at reasonable and affordable rate.

The Agricultural Finance Corporation (AFC) which was supposed to assist farmers has been highly

politicised for the last 20 years, and it is no longer a financial institution for supporting farmers. I do know of a few people in my constituency who were given small loans of up to a maximum of Kshs100,000 about four years ago. But they have been harassed so much by the AFC, even at the time when the coffee sector has collapsed. The AFC officers used to come to their farms every day, threatening to auction their cows and other assets. But we also do know of other big sharks in the AFC who have had their loans repayments waived. Even with regard to other banks where the Government has an interest, like the Kenya Commercial Bank, or the National Bank of Kenya, we know of senior people in this country who have been going to State House in order to ask for a waiver for their debts. We also know of some people who have said: "Okay, we are willing to pay the principal sum, but we want the President to waive the accruing interest." And in one or two cases, interest has been waived. The question is: Under what Act, either under the Banking Act, or the CBK Act, does the President have powers to waive anybody's interest which has accrued? If we want to develop this country, we have to stop this politicisation of commercial matters; they must be dealt with commercially. With this kind of distortions, we can never hope to develop this country.

These multinational banks have also been too arrogant. They have raised their minimum deposits, which have excluded the majority of poor people in this country from enjoying their banking services. We would like the CBK to introduce policies which will give access to the banking facilities to the poor people who earn Kshs3,000 a month in this country, because as we speak today, they are not enjoying them. I have in mind the policy of encouraging groups like the Kenya Rural Enterprise Programme (K-REP), which has come up with a programme of encouraging the establishment of village banks. As of September last year, there were 11 village banks in this country, and I am happy to report that they have supported a village bank in my constituency called the South Imenti Finance Association (SIFA). To open an account in SIFA, you only require Kshs100, and you can borrow a loan for any purpose. Our people are now able to borrow loans from this village bank in order to pay school fees and the medical bills. Even a mzee who now feels that he needs a second wife can go to this bank, because it is "our bank" and can give him money. It is a bank which is sensitive to the local needs of our people.

We need to decolonise our banking industry so that the banks serve the local needs of our local people. I think it is the high time that this Parliament put some money aside for this programme of establishing village banks all over this country, and that idea should be supported. I do not want to take too much time.

With those few remarks, I would like to support this Motion.

Dr. Ochuodho: Thank you very much, Mr. Temporary Deputy Speaker, Sir. I stand to support this Motion, but I must begin by saying that rather than just to bring a Bill to amend the portion of the CBK Act that regulates the interest rates alone, we really need a Bill that will entirely overhaul and harmonise the entire banking sector. This is because there are many things that are not right within the banking sector, the latest being on the record.

You remember that the Barclays Bank of Kenya even proposed to charge their customers' cash deposits, and indeed they are also proposing to charge for withdrawal of cash. This kind of arrogance can only happen in a situation where you have monopolistic tendencies, because the Barclays Bank of Kenya, the Standard Chartered Bank and all the other multinational banks have realised that they have a cartel through which they can determine whatever they want to do with their poor depositors. It is in that regard that I would request the Minister for Finance, or whoever will bring the Bill on this Motion to the House, to ensure that it should be a Bill to overhaul the entire banking sector, and not just the interest rates.

Another area of concern is the high balances that are demanded by the banks. Many of the major banks require Kshs10,000, but how many ordinary Kenyans can afford that amount of money? We know that the average wage that is earned by many ordinary Kenyans is way below that amount, and Kenyans live from hand to mouth, and therefore, such a high balance requirement, in my view, is a clear testimony of a banking sector that has become too arrogant. They are not just arrogant, indeed, but even in words, because they dare tell Kenyans that if they do not want to invest with them, they can go away by telling them: "We do not need your little money." They call it "little money," but when you consider the number of potential investors, then of course, it is not.

I would also want to inform the Minister for Finance that apart from the high balances and the demand for charges while you are depositing cash, there are also too many charges that are levied by the banks. I would want to request that when the Bill comes to this House, we should also look into ways of harmonising those so many charges that I consider "exploitation of unsuspecting depositors." But, perhaps, even more importantly, a contentious issue has been before this House; of disclosure of bad debtors. In the past, the Ministry of Finance and Planning used to hide under the ambit of the fact that the Banking Act does not allow one to disclose those who have collected loans from banks, many of who are in the Front Bench, and who are major contributors to the collapse of our public banks. I would want to request again that when the Bill is brought to the House in order to harmonise the banking sector, one area that we should provide for is the permission to allow the Ministry of Finance and Planning to disclose bad debtors when there is public demand for it.

One other area where banks are exploiting depositors is in the area of clearing of cheques. Is it not amazing

that when you deposit a cheque in your account, sometimes you are told that you have to wait for a week for it to mature and the money to get into your account? But on the other hand, when you issue a cheque, you realise that within about three days, the money has already been withdrawn from your account. There is a lapse between the two days when they withdraw the money from your account and the four days or seven days it actually takes to deposit the money in the account of the payee. What is happening is that banks are doing business with the money of their depositors, because to them, during about those four days, it makes a difference, as they make a lot of profits from there.

Indeed, we know what banks do to get more monies. Even with regard to electronic money transfers, the three per cent that is levied on credit cards is a method banks use to make a lot of money. In the process, I would agree with my colleagues who said, that rather than talking of a liberalised market, we should talk about a "free looting" system, because basically, we have created an environment where banks and the "politically correct" loot, and the law enables them to do so.

Mr. Temporary Deputy Speaker, Sir, I would also like to wish that when the Bill is brought, we should try to impose some requirement of responsibility on the part of banks. While they are in the business of making money, there must be a human face to it. For example, in the telecom sector, when companies are being licensed to offer telecom services, a common requirement is that they must also go into the rural areas or some percentage of their investment must go into the rural area as a human-face- saving requirement. I think, a similar requirement should be put on banks because in the recent past, banks are just closing branches especially in the rural areas. When there is an outcry by the public, what the Minister simply says is that his hands are tied, because this is a liberalised economy. Then one wonders why we need to have the Central Bank or the Ministry of Finance if they cannot harmonize or regulate the sector. As an important requirement we could, for example, make it a requirement that 80 to 90 per cent of their business be based in the urban areas, and a small percentage goes to the rural areas, if we expect to expand the economy of the entire country and not just a small part of the country.

Mr. Temporary Deputy Speaker, Sir, finally, I want to note that when banks indicated that they were going to computerise, I know there was a lot of resistance. One major excuse they gave was that, with computerisation, they were going to cut down on their costs. Sure enough, they have cut down on costs tremendously. But how has this translated to the end user? We would have expected that the tariffs that are being levied on the depositors would go down. Instead, we have only seen banks making very huge profits. It is no wonder that when every other business is making losses, the financial sector is making a lot of profits. I would like to concur with my colleagues that the time has come for the banking sector to be regularised. I hope the contributions hon. Members have made here today are going to sound a warning to the banks, that this House is not very pleased with the kind of exploitation that they have imposed on our people.

I beg to support.

Mr. Mboko: Thank you very much, Mr. Temporary Deputy Speaker, Sir, for giving me this opportunity. I will be very brief. I rise to support this Motion.

The problem this country is facing is the aftermath of the 1992 elections, when the KANU Government introduced paper money in the market. After the introduction of paper money, the Government then looked out for a way of mopping up that paper money from the market. They had to raise interest rates on Treasury Bills to give incentives to Kenyans to invest in the form of Treasury Bills at 78 per cent interest. That is what caused all the problems we are facing today. Commercial banks stopped lending wananchi and started investing in the Treasury Bills, and hence, there was increased demand for borrowing from the commercial banks by investors.

Mr. Temporary Deputy Speaker, Sir, the Central Bank has abdicated its responsibility as the last resort for borrowers and become the first lending institution to the commercial banks. It has become a commercial bank, to other commercial banks and abdicated its responsibility of controlling the banking system in this country. This has continued to hurt the economy of this country. While we are trying to create incentives for Kenyans to do some savings, if you put, for example, Kshs10,000 in Kenya Commercial Bank, one year down the road without withdrawing or depositing any more money, the account would be closed. So, what incentives are we giving to Kenyans? For example, there are women groups in my constituency who banked with Kenya Commercial bank, but to date, all their accounts have been closed and yet they have not done any withdrawals. That is direct stealing from wananchi.

The Temporary Deputy Speaker (Mr. Poghiso): Use parliamentary language!

Mr. Mboko: Mr. Temporary Deputy Speaker, Sir, that is embezzlement from the poor people; they have taken what is not theirs in pretext of charging ledger fees.

Mr. Temporary Deputy Speaker, Sir, Kenyans are developing a culture of defiance because of poverty and lack of protection. On Monday, in Dandora, school pupils, out of anger, stoned matatus. And yet those were children aged between six to 11 years. The culture of defiance has inflicted this country, because the Government is not in control. In my constituency, we have vowed to make sure our land reverts to us, because this Government is not

willing to help Kenyans. It swore to protect the Constitution and the rights of individuals, but instead, they are denying the same individuals their own rights.

Mr. Temporary Deputy Speaker, Sir, we have witnessed cases where wananchi and even Members of Parliament borrow, for example, Kshs1 million, and three years down the road, together with the interest, it comes to Kshs20 million. How does a bank within three years claim to earn Kshs19 million from Kshs1 million? What method do these banks use? The banking methods must come to terms with the Kenyan situation and more so, the Minister for Finance and the Central Bank. We will not allow this Government to mislead us that they are protecting our interests, while actually they are destroying this country. There is no way we can attract foreign investment without power, water, food and roads. For example, when an askari goes to my constituency and burns food in a gala when there are no rains, what do we expect the people to do? This is wrong! The Government has totally failed. It has failed to control the economy and give its own citizens employment.

I beg to support.

The Temporary Deputy Speaker (Mr. Poghisio): It is time for the Government responder.

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Thank you, Mr. Temporary Deputy Speaker, Sir. Much as I do sympathise with the sentiments expressed by this Motion, I would like to propose that the solution that is given here is not probably the right one.

Mr. Temporary Deputy Speaker, Sir, I know that all of us have been generally hit hard by the level of interest rates. This Government would like to see the level of interest rates come down. But, in my view, regulation by the Government is not the answer. I think a few years ago, we decided that the best way out for our economy to develop was to embrace a fast-growth-path, through liberalization. I know that there is a lot of excitement about reducing the interest rates. It is a very populist kind of a thing to do. It is probably the "thing" of the moment. But if we are to ensure that our economy begins to move, we need to take a long term view, particularly, as the leaders of this country. I can understand the man in the streets with his frustrations. I suppose our immediate response is to feel frustrated and want to do something about it immediately. But this is a wider problem.

Mr. Temporary Deputy Speaker, Sir, I think we should ask ourselves whether the way forward is to bring in controls. If we control the interest rates today; tomorrow, we will want to control prices---What will we want to control the day after that? I think it has been generally accepted that the Government should not engage in---

Mr. Donde: On a point of order, Mr. Temporary Deputy Speaker, Sir. I think the Assistant Minister is misleading this House. The intention of this Motion is not to control the interest rates charged by banks, but to check on the abuse of the freedom given to the financial institutions. They are abusing the freedom we give them---

The Temporary Deputy Speaker (Mr. Poghisio): Order, Mr. Donde! That is not a point of order! You are just giving information!

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Speaker, Sir, I am not sure that, that was a point of order. Maybe, my colleague can distinguish between controlling and harmonizing. To me, it is one and the same thing. It means the Government is coming in to control and ensure that certain things do happen. Whether they will happen is another matter altogether.

Mr. Temporary Deputy Speaker, Sir, I think Government involvement in the economy - in the 1960s and 1970s - was viewed as crucial. But since then, things have changed. All over the world, government involvement in the economy is being slowed down---

Mr. Michuki: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the Assistant Minister in order to mislead this House, when he knows that the governments of the United States of America, United Kingdom and in all other developed countries are controlling the rates of interest charged? Is it in order that he should continue to ignore that fact by protecting the banks from those countries, who cannot raise interest rates in their own countries as much as they do here?

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Speaker, Sir, I would again dispute that the hon. Member had any point of order. He is merely advancing the same argument that he made earlier. But if he will bear with me, then I will come to that issue. So, what I have been saying is that we should think critically as to whether we want to control the interest rates or not. We are all concerned about the level of interest rates and we want to bring it down. Maybe, we should look beyond immediate control. Interest rates are merely the symptoms rather than the disease. The long term answer in bringing down the interest rates is the up-turn in the growth of our economy. There have been various ways of doing this. We should focus our energies on productive activities. As leaders of this country and Members of this House, we should encourage investment in the economy by both local and foreign investors.

Mr. Temporary Deputy Speaker, Sir, the Government is playing its part in encouraging investment in our economy and I think every Member of this House should do the same. I think you will agree with me that not every hon. Member of this House has been making attempts to create confidence in our economy. Most of the time, some

hon. Members engage in serious scare-mongering. This is what discourages our investment partners from investing in this economy. The result of such actions include increases in interest rates. When this happens, we turn around and want to control interest rates. These are issues that would best be tackled if our economy was on a strong growth-path.

Dr. Ochuodho: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the Assistant Minister in order to mislead the House by yapping about turning around the economy while he knows very well that the root cause---

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Speaker, Sir, I think the hon. Member is using very unparliamentary language!

The Temporary Deputy Speaker (Mr. Poghio): Order, Dr. Ochuodho! The Assistant Minister is not yapping, please! That word is unparliamentary!

Dr. Ochuodho: Mr. Temporary Deputy Speaker, Sir, I withdraw and apologize for the use of that word. But is he in order to mislead the House by telling us how the economy can be turned around when he knows that the reason why the economy crumbled was due to corruption and the broken infrastructure which is a responsibility of the Government?

The Temporary Deputy Speaker (Mr. Poghio): Order, Dr. Ochuodho! By starting or finishing your questions with "Is he in order" does not make what you are saying a point of order!

The Assistant Minister for Finance and Planning (Mr. Arap-Kirui): Mr. Temporary Deputy Speaker, Sir, unfortunately, some of the Members of this House do not want to hear the hard truth. So, let us be a bit patient and listen. I think the hon. Members on the other side of the House had their time.

Mr. Temporary Deputy Speaker, Sir, if we are going to bring down interest rates in this country, we must encourage economic activity. This encompasses many things which all of us are not doing. Another way of bringing down the interest rates is to encourage the number of players within the money markets and the financial markets generally. This is what the Government is trying to do. As you are aware, the Capital Markets Authority Bill is before this House. This Bill seeks to introduce collective investments schemes into our capital markets. This is one way through which we shall weaken what looks at the moment like a stranglehold by the banks within this country. These are some of the ways through which we can bring down interest rates in the long run without resulting to direct controls. As I said, we are all concerned about the level of interest rates. But in my view, direct control is really not the answer.

Mr. Temporary Deputy Speaker, Sir, another way is to educate our people so that they respond immediately and almost instantly to financial incentives. This is where the western world cannot be compared to us. Movements in the interest rates are responded to immediately. If, for example, movements in Treasury Bills rates were responded to immediately by our own people by channelling their savings to the Bills, then we would not need to talk of controls because the banks would respond to the direction that has been taken by the customers. Unfortunately, most of our people, and all of us included, put money into banks and leave it there. For example, quite a number of our people, once they invest in stocks, they frame their share certificates instead of trading with them. The same thing happens with bank accounts. This is where one hon. Member mentioned, and I agree with him entirely, that banks most of the time have a lot of free money "sitting" in their accounts because our people are not sensitive to the cost of money. We have not educated them enough. If they were able to respond quickly, the market would determine interest rates.

Mr. Temporary Deputy Speaker, Sir, I would also like to, maybe, remind hon. Members that while this is generally a well-intentioned Motion, maybe the time may not be ripe. As we know, the Finance Bill will soon be in this House. Maybe this is the time to debate the need for having this proposal so that, in fact, we might be sort of engaging in a superfluous activity. Perhaps, it is an activity that would better be dealt with under debate on the Finance Bill.

Mr. Temporary Deputy Speaker, Sir, the commercial banks, nevertheless, should have got the message from this debate, that we are all concerned about the level of interest rates and we would like to see them come down. We would like to see the interest rates come down and I think this is in their interest so that we do not get to the unfortunate stage where we might be forced to reverse our thinking in terms of what needs to be done. I am sure they can respond and they will respond because I am sure they will get the message from the concerns expressed today by the hon. Members in this House.

On the issue of Treasury Bills, may I propose that the sentiments expressed are probably misguided. The idea, I am sure is targeted towards interest rates. The Treasury Bills, as we know, have got two purposes. One, they are used as a tool by the Government to control liquidity in the money market. Certain controls on the Government activities in this area can have very serious repercussions in the economy. If there is excess liquidity, the use of Treasury Bills is a measure by the Government to go into the market immediately and arrest that situation. If the money market was tight, the Government would easily do the reverse. The Treasury Bills would then help the Government to do this very easily. The state of Treasury Bills is also dictated by the weekly budgetary requirements of the Government, but within certain parameters. We know that overall, within any one year, the Government tries to limit its borrowing within a fixed percentage of the Gross Domestic Product (GDP).

We would also like to allay the fears of the hon. Members that Treasury Bills and controls can be misused. Recent events have shown that the use of Treasury Bills by the Government has been very severely limited. The Government, as you know, is very strong in its budgetary control, and the need for going to the market for fresh borrowing has been very limited. The little that there has been has been merely to redeem the existing Bills. As we get into a surplus situation, I am sure that there will be less and less need to use Treasury Bills. But it is a sound monetary tool that should be made available to any Government at any time. I would urge hon. Members to consider these needs so that we do not throw away the baby with the bath water.

While I sympathise with the sentiments of the hon. Mover, I am reluctantly forced to oppose the Motion because I do not think that it proposes a sound solution for the stage at which we are at the moment. The Government anyway, as I have indicated, is already making strenuous efforts to make sure that interest rates come down. I believe that the commercial banks have got the message and I am sure that they would rather have self-regulations other than Government imposed regulations. We would not like to go backwards in our financial management. We would like to have at our disposal modern tools of managing our economy and we should let the market play as big a role as is possible. I am sure this is the intention of all of us.

Thank you.

The Temporary Deputy Speaker (Mr. Poghiso): Order! It is time now to call upon the Mover to respond.

Mr. Donde: Mr. Temporary Deputy Speaker, Sir, I would like to thank my honourable colleagues who have spoken so eloquently on this issue.

Going by their contributions, you can see how the country is concerned over the kind of an economy that we have as a result of an abuse of freedom which was given to our financial institutions. We are not talking about bringing back those restrictions, but we are talking about how to control the abuse of the freedom. Every freedom must be checked. There is no freedom which is never checked. Since we gave our banking institutions freedom, we have not put any measure in place to check it. As a result, they have abused the freedom and destroyed the economy of this country.

Mr. Temporary Deputy Speaker, Sir, I would like to give three minutes of my time to hon. Maitha and three minutes to hon. Wamae.

Mr. Temporary Deputy Speaker, Sir, I would like to give a little of my time to hon. Maitha and hon. Wamae. Hon. Maitha will take three minutes while hon. Wamae will take four minutes.

The Temporary Deputy Speaker (Mr. Poghiso): Mr. Donde, I do not think the procedure would allow you to do that. You should have done that before you went ahead with your contribution. So, proceed!

Mr. Donde: Mr. Temporary Deputy Speaker, Sir, I did not realise how much time I had.

Mr. Temporary Deputy Speaker, Sir, as you have heard from most Members, the situation is very serious and grave. A lot of our institutions in commerce, industry and even families have been destroyed because of the manner in which the financial institutions have behaved since we repealed Sections 39, 47 and 48 of the Banking Act. I totally agree with this honourable House for having repealed those three sections. There was nothing wrong with that. However, what I am saying is that they should have put in place mechanisms in which to regulate the use of that freedom. It is the use of the freedom which has been abused and as it has been said by my other colleagues, who have spoken, the results have been devastating to the economy, households and everywhere. As you can see, in cases where somebody has borrowed Kshs100,000, you hear two years down the road, that the banks are demanding between Kshs3 million and Kshs4 million. This is in the news papers everyday. In this way, families who have saved for many years have destroyed all their life savings just because banks have abused the freedom which this honourable House gave them when they repealed those three sections.

Mr. Temporary Deputy Speaker, Sir, so, it is a very grave issue and I am glad most Members have given their opinion. They have supported this Motion in total and I would urge my hon. colleagues and on the other side, the Assistant Minister, to really take time and also ponder on this issue. This is because it is a very serious issue. I would like to tell my honourable colleague, the Assistant Minister, that there is no country in the world that actually leaves its interest rates totally free in the markets. Every now and then, we hear in America, Britain and Japan, the Central Banks saying: "The interest rate from next week will go down by quarter per cent and will go up by half per cent". So, it is misleading to tell this country that European countries or other developed countries do not control their interest rates. They do control. For your information, there is no country which can develop its economy if its interest rates are above ten per cent. If you look at Japan, the interest rate is four per cent. In America, it is six per cent. I mean, how do you develop an economy with an interest of 32 per cent? This is not possible. You know it and you are playing with the lives of Kenyans. For a change, you should be serious in the management of the economy of this country. I would have thought that the Assistant Minister would have taken this opportunity to show this country that the Government is serious and it does understand the problem. However, I am afraid that does not seem to be the case. I think the Government is bent on destroying this country further economically and unless this House stops it, I do not think it is

going to be possible for us to do, otherwise.

So, I do believe that only legislation would help this situation. I, therefore, request my honourable colleagues to support this Motion so that this honourable House can bring some amendments to check the abuses of the powers of the freedom which we gave to the financial institutions. I now ask hon. Maitha to take over.

The Temporary Deputy Speaker (Mr. Poghiso): No, Mr. Donde, you have the time. You are the Mover and you are replying.

Mr. Donde: Mr. Temporary Deputy Speaker, Sir, I also want to talk a little about the Treasury Bills. As you have seen during the course of this week, the Government bought Treasury Bills worth Kshs8 billion shillings. This has been the case for the last six or seven weeks. At the moment, as you are aware, our domestic debt stands at about Kshs160 billion. Of late, the interest rate has been 20 per cent. Simple calculation shows that the Government has been paying Kshs32 billion in interest on Treasury Bills borrowing. This sum of money should have been put into developing the economy of this country. Therefore, you can see that the banks no longer lend to business to develop the economy. All they do is to sit tight and buy Treasury Bills and make money from the taxpayers. So, this is a situation which has been going on for three to four years and this is why the economy is in this state.

Mr. Temporary Deputy Speaker, Sir, I would also urge this House to bring in a legislation to limit the amount of money that this Government can borrow at any one time. There must be a condition that if the money is above a certain amount then Parliament must approve the transaction. So, this situation has been going on for long and as a result the economy has now stagnated for too long. It is very difficult to jump-start this economy unless we can reduce the interest rates to single digit levels. This is because no business community can now be able to borrow in order to invest in capital development. It is now even more crucial for this country to start a low interest regime so that we can be able to jump-start the economy and get it moving. You just take a walk to Industrial Area and you will see idle factories, land and labour. Nearly everything in this country is idle. When you go to Industrial Area you will be very shocked. Five to seven years ago, we used to see factories functioning and now there are empty godowns and buildings. You can see the state of the economy. It is a very sorry state.

Therefore, I do believe that the Government is also concerned since people are suffering. If you go and see how our fellow Kenyans live in this country, it will be very sad for you to say what you are saying. The other day I took a walk to Laini Saba in Kibera. You will find a man staying in some makeshift structure with his family and the toilets are just within. There is no water and yet here you are talking the way you are. I believe Kenyans are very complacent. I think there is no other country where people can take suffering the way our people do. You can see the frustrations are there. If you look at the children the other day, they were not behaving like that in Dandora due to nothing. It is just an in-built frustration. You only require to start it and this country can go into a revolution. The frustration has shown on every face of Kenyans.

Mr. Temporary Deputy Speaker, Sir, I think the only way this Government can help the economy of this country is to check the excesses of our financial institutions so that we can save our people from further suffering. We also must be human. We cannot just shut our eyes and really pretend that we are not seeing the amount of suffering. Some people do not eat for days. They do not have clothing either. If we are going to speak the way we are doing and with the kind of attitude the Government is taking, I think this country is very ripe for a revolution. It is just waiting for any little thing to happen. I saw it the other day on television how small children can behave if slightly provoked. It is out of frustration because some of them have not eaten for long. They sleep in the cold and their parents are suffering. The only way to save this situation is to save our industries and economy so that we can get people to work. We should not let people be idle where we can make them work.

Mr. Temporary Deputy Speaker, I think that the Government should really pay a little bit of attention to what is happening in this country. The Government has taken advantage of Kenyan's complacency for too long. I would sound a warning to the Minister for Finance that this kind of situation will not be allowed to go on for too long. When chaos erupts in this country, it will be very difficult to control them. The other day you saw children rioting and even the police could not control them. This is the kind of situation is not a laughing matter. I can see the Assistant Minister is smiling and enjoying because he is alright financially when people are suffering. I think the Assistant Minister should take this Motion seriously and---

The Assistant Minister for Finance and Planning (Mr. Arap Kirui): On a point of order, Mr. Temporary Deputy Speaker, Sir. The hon. Member is deliberately misleading this House! The events that occurred in Dandora had nothing to do with the economy. It was an emotional response by the children.

Mr. Donde: Mr. Temporary Deputy Speaker, Sir, with those few remarks, I beg to move.

(Question put and agreed)
PAYMENT OF RETIREMENT BENEFITS
TO CIVIL SERVANTS

THAT, while noting that there are long delays before public servants are paid their retirement benefits (pensions and gratuities) after retirement; and that some remain unpaid for as long as ten years; aware that this non-payment of benefits to public servants has caused untold suffering to the retired public servants and their families; this House urges the Government to ensure that all benefits payable to the retiring or deceased officer's dependants are paid within three calendar months after the retirement or death of such officers.

The Temporary Deputy Speaker (Mr. Poghiso): This is Mr. Musila's Motion, but since he is not here, it is dropped. Let us move on to the next Order!

(Motion dropped)
IMPLEMENTATION OF PRE-FEASIBILITY
STUDY IN TAITA-TAVETA

THAT, in view of the fact that Kenya is experiencing continuous food shortages due to continued drought, and taking into consideration that water from rivers and lakes could be used for irrigation and other domestic use, this House urges the Government to implement the pre-feasibility studies undertaken by Afrisco firm of Israel and the Coast Development Authority in 1994-95, in order to pump out water from Lake Challa in Taveta Sub-District for domestic, irrigation and livestock use in Taita-Taveta and the Nyika plateaus.

The Temporary Deputy Speaker (Mr. Poghiso): Is Mr. Basil Mwakiringo here? Since he is not here, his Motion is dropped. Let us move on to the next Order.

(Motion dropped)
SETTLEMENT OF SQUATTERS

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, I beg to move the following Motion:-

THAT, considering that the Government evacuated squatters from all forests between 1988/89; considering further that the Government promised to resettle all those squatters elsewhere; appreciating the fact that some of the squatters were settled; and, being aware that the Provincial Administration has details of all the squatters who were evacuated, this House urges the Government to ensure that all the squatters who were affected by the evacuation are settled.

Mr. Temporary Deputy Speaker, Sir, it should be noted that history always repeats itself. The reason why I argue like this is: In the year 1955, the colonial government found it necessary to establish the shamba system in Kenya. The major objective was to conserve our forests. The felling of trees went on, but those responsible were required to replace the trees. The government had also realised that by doing so, it could cut its expenditure on forests. It required to give incentives to the poor workers in the forests. For the growth and extension of the forests, the government felt that if it could employ workers who were lowly paid, but be allowed to do farming in the same areas, they would be motivated towards their work. To show its seriousness, the colonial government set up schools, health centres, sanitation facilities and graveyards for the people. This showed that those areas were to be permanently occupied. Lastly, as usual, the administration was brought closer to the people by setting up chief's camps and posting administrative officers there. The government recognised the efforts of those workers. They lived there harmoniously. The government, the people, the forests and the wild animals lived together. There was no destruction. In fact, it was for the betterment of this nation. It was a safe haven for the people.

Mr. Temporary Deputy Speaker, Sir, however, in the year 1989, the Government decided to evacuate the same squatters. There were several reasons that were advanced. However, I support the decision by the Government to evacuate the squatters. One of the major reasons was that, in the year 1986, there was the monster by the name of Mwakenya. The Government felt that the Kikuyus might have been planning to storm the forest and start the Mau Mau once again. Due to the Government's fear, it felt that the only way to curve such kind of activity, after realising that the Kikuyus were the majority in the forests, was to remove them from the forests.

Secondly, by the year 1989, some powerful individuals in KANU were planning to train warriors who were used in the skirmishes of the 1992 tribal clashes. The only way left was to train the warriors in the forests. As a result, they had to first remove the squatters from the forests, to make the activity a success.

Mr. Temporary Deputy Speaker, Sir, by the years 1989/90, the State House squatters; and the fat fish were out to grab the forest land. A lot of de-gazettement was done to the forest. It was supposed to benefit the so-called well-connected and politically-correct people. As a result, they had to remove the squatters from the forests to enable them to curve of the land and benefit themselves.

Mr. Temporary Deputy Speaker, Sir, the main aim of establishing the Nyayo Tea Zones was to cross-check any movement or activities in the forests. It should be noted that those people who manned the Nyayo Tea Zones were all administration officers. They were officers from the Special Branch, GSU and all the forces. This enabled the smooth-running of the so-called warriors from well-connected people in the Government. They also resisted any invasion of the forest by anybody.

The Minister for Information, Transport and Communications (Mr. Mudavadi): On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the hon. Member in order to continue reviving the issue of land clashes and people having trained others in the forests, when there is no substantial evidence that he can place on the Table? Could he just stick and focus on the Motion rather than dwelling on completely irrelevant issues?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, I will stick to the Motion. But the fact is that they were trained and he saw the effects.

The important point to note is that before the evacuation of the squatters, the Government took the responsibility of settling the squatters elsewhere. The list of all the squatters were taken by the chiefs and the sub-chiefs, then passed on to the District Officers, District Commissioners, Provincial Commissioners and finally, to the highest office on this land. So, the records of the squatters are with the Government. There is no way the Government can deny that it does not have the list of the squatters. If it is a Government of God-fearing men, it undertook to resettle those people.

Mr. Temporary Deputy Speaker, Sir, between the years, 1990-94, some of the squatters were successfully settled. For example, some squatters were settled in the Kimauri, Ndabi and Mwachwiri areas in Nyeri District. However, it should be noted that large chunks of land went to State House squatters. The well-connected were able to acquire the land.

The Minister for Environment (Mr. Nyenze): On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the hon. Member in order to claim that "State House squatters" are the ones who were benefiting from forest land? Are there "State House squatters"? Could he clarify his claim or withdraw it and apologize?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, this is what I am saying: The Provincial Commissioner for Central Province, Mr. Kiilu, who happens to be a Mkamba like Mr. Nyenze, the hon. Minister, always carries a briefcase full of title deeds which he dishes out and sells for Kshs30,000 each.

The Minister for Environment (Mr. Nyenze): On a point of order, Mr. Temporary Deputy Speaker, Sir. The fact that Mr. Kiilu and Mr. Nyenze are Kambas has nothing to do with this Motion. I think the hon. Member should withdraw or substantiate that there are "State House squatters", and he should not drag the name of Mr. Kiilu into this issue because Mr. Kiilu is a faithful civil servant. The Member seems to have a personal grudge against Mr. Kiilu.

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, I am a squatter and I have not benefited from the land. If Mr. Kiilu was wise enough, he would have allocated land to me.

The Temporary Deputy Speaker (Mr. Poghiso): Order! Mr. Kiunjuri, how does Mr. Kiilu become a subject of this Motion?

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, however, between 1998 and 1999, the Government degazetted Mt. Kenya Forest and the aim of the degazettement - I raised that question before the House - was to settle squatters. This did not happen and even today, the question remains as to who is supposed to benefit from that land and who is not supposed to benefit. The man behind all these problems is Mr. Kiilu whom the Minister is defending before this House.

It should be noted that the Government committed itself to settle the squatters. Secondly, some of the squatters were settled. Thirdly, most of the squatters are still lying in the streets of Nanyuki Town; in the whole of Kieni, Karatina and all over the nation. They have no hope today because the land that was set aside for them has been exposed to those who can be able to grab; the well connected people. As a result, it should be noted that there is a high rise of insecurity, and especially in those areas occupied by the squatters.

Mr. Temporary Deputy Speaker, Sir, poverty has been aggravated; there are poor living conditions; lack of education and health facilities, and there is no employment in this country. At the same time, I do not see the programme of industrialization by the year 2020 coming into effect, noting that we are rationing electricity today. We are rationing everything! We suspect that if this Government continues to rule for the next 20 years, they will be rationing air!

Mr. Temporary Deputy Speaker, Sir, destruction of forests has resulted in drought all over the country. People

go without food while we clearly know that the forests are doing badly. If you plant a tree today, that tree is supposed to take 20 years to mature. The Government is not replanting trees.

(Loud consultations)

The Temporary Deputy Speaker (Mr. Poghiso): Order! Order!

Mr. Kiunjuri: This Government does not see any sense in settling those squatters there. It should be indicated in the records of this House that, those squatters used to cultivate the land. After felling the trees, they would prepare the land two to three years and then they would plant trees themselves, and if one of the seedlings died, they would be denied access to that land; meaning, therefore, that, they were very careful in whatever they did on that land, and no single seedling used to die. Today, the Government is felling trees in the forest and it has retrenched everybody in the Forest Department and no replanting of trees is done in the said forests. Even if they replant trees, they cannot do well, given the conditions there. The poor farmers used to take care of the forests. Today, a question is being raised, and everybody is involved in this--- I am talking about this issue on humanitarian grounds. We have a drought and the reason is that we have destroyed all our forests. We have, however, a quick solution; the squatters are lying idle all over the nation. If these people are moved to the forests, and if the establishment of the shamba system is introduced once again, these people will take care of the forests and the seedlings, and we shall not experience this kind of high destruction of forests.

Mr. Temporary Deputy Speaker, Sir, the drought is not being contained and famine is persistent. The Government is doing nothing to deal with all these problems. The colonial government was sensible and they had argued it out properly. If, today, I was Idi Amin, I would argue that, if the colonial government did it, why does this Government not do it? The Government should do it!

Mr. Temporary Deputy Speaker, Sir, I have gone through all the dictionaries of reason and I have noted with a lot of concern that, there was no logic or rationale behind the removal and subsequent evacuation of the squatters from the forests. It was only done out of malice. It was done as one of the ways to make sure that the Kikuyus were taken to the highest level of poverty to enable them become loyal to the establishment. It should be noted that, it is a habit of this Government to make sure that every Kenyan is poor so that they can show loyalty to the establishment. I do not know where this philosophy came from.

Mr. Temporary Deputy Speaker, Sir, look at what is happening in Central Province. The Government is involved in the problems facing the coffee farmers, tea farmers and even rice farmers in Mwea. The reason why this Government is doing so is to make sure that we become poor so that we can become beggars and be loyal to the system. The time has come for the Government to face up to the realities. It should be known that we have a nation to live in, exit Mwangi Kiunjuri; exit Mwai Kibaki; exit Moi! We shall have a nation to live in. The only way is for us to come out together. Let us have collective responsibility, and let everybody now shoulder his own responsibility.

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

The Temporary Deputy Speaker (Mr. Poghiso): Order! Order, Mr. Ndwiga!

Mr. Kiunjuri: Mr. Temporary Deputy Speaker, Sir, the coming of the Opposition was a very good blessing to the nation. For the first time, we can argue together. The only way we can be able to argue and avert land problems-- This is being discussed everywhere. Mr. Ndicho is coming up with land invasion. Already, we have seen some invasions taking place. People are deciding between life and death. The Government is entitled, as much as it has an obligation, to defend private property ownership. It still has a responsibility to take care of the lives of the people. I believe it is the first obligation of this Government. There is no way we can respect rules, and there is no way we can respect law and order in this land, if people are dying of hunger. There is no way you can preach to people who are hungry! The kingdom of those people who are hungry is here on earth! You cannot promise another kingdom in heaven when we are dying of hunger, and when the Government has a solution to our problems.

In short, what I am trying to say is that, this Government must take care of its citizens; feed its citizens, and must come up with solutions to problems facing its citizens. There is no way we can deal with any other fundamental problems, if we cannot solve the problems of squatters in this nation.

The solutions are too many. I know that, each and every Member of his House will be able to contribute to this Motion.

Before, I move, I would like to request all the Members to contribute to this Motion, from both sides of the House, because this problem is adversely affecting all Kenyans in general. However, I beg to move the Motion and request hon. Maitha, the Shadow Minister for Local Government, in the Shadow Cabinet of Mr. Mwai Kibaki, to second the Motion.

Mr. Maitha: Bw. Naibu Spika wa Muda, ninataka kumshukuru mhe. Mbunge aliyeleta Hoja hii kwa sababu ni ya maana sana. Hoja hii inamhusu kila Mbunge. Taabu kubwa tuliyonayo hapa Kenya ni kwamba Mawaziri

wanaochaguliwa katika Serikali yetu wanaelewa matatizo ya Wakenya. Hata wafanyikazi wa Serikali wanaelewa matatizo hayo, isipokuwa wanasumbuliwa na historia. Mawaziri wengi tulionao katika Baraza la Mawaziri hawajui historia. Wanajua tu ile historia waliofunzwa shuleni na kupita katika kidato cha nne au pengine Chuo Kikuu. Kila kiongozi anatakiwa kujua historia ya matatizo ya Wakenya, kama watakuwa na imani nao, kwa sababu matatizo madogo madogo yanayoletwa Bungeni yanaweza kutatuliwa na Waziri mwenyewe.

Nikiunga mkono Hoja hii ni kwamba, Serikali ilifanya sensa mwaka wa 1999, kuwahesabu watu wa Kenya. Lakini Serikali hii imekosa kufanya sensa ya kujua wanaokosa ardhi Kenya ni wangapi, na kujua maskwota wanaoishi Pwani ni wangapi. Ukiuliza swali hilo Bungeni leo, Serikali haiwezi kukuambia ni watu wangapi hawana mashambakatika Mkoa wa Kati na wanaitwa maskwota. Pia, Serikali haiwezi kukuambia kuna maskwota wangapi huko Nandi. Serikali inatakiwa kuwa na mpango kupitia sensa ya maskwota, kujua ni ardhi gani iko wapi, ambayo watu wanaweza kupewa ili wasisumbuke tena hapa Kenya.

Historia inasema kwamba nchi hii ilipata Uhuru kwa sababu--- mawaziri wengine wa Serikali hawakupigania Uhuru wala hawajui ulipiganiwa na nani. Lakini historia inasema kwamba Uhuru ulipiganiwa na Wakikuyu walioona kwamba ardhi yao katika Mkoa wa Kati ilikuwa imechukuliwa na watu weupe wachache. Historia pia inasema kwamba hata sisi kule Pwani ndio watu wa kwanza kupigania Uhuru ili nchi ya Pwani isichukuliwa na Wazungu au wageni. Kuna vita vilivyotokea mwaka wa 1939, huko Wanje wa Mwadori; kuna Mekatilili ambaye alifungwa kule Kisii kwa kupigana na Mzungu kule Malindi, ili ardhi yetu isichukuliwe, lakini hatujulikani katika historia. Wanaojulikana ni Wakikuyu kwa sababu waliunda Mau Mau, wakaingia msituni, wakaua Wazungu, na Kenya ikapata Uhuru. Swala kubwa ni kwamba: Je, Mawaziri wanajua historia hiyo; kwamba ni sharti kila Mkenya awe na ardhi? Ikiwa mhe. Ngei alikuwako na wengine, kwa nini Wakamba wengi wanaoipigia KANU kura, hawana mashamba mpaka sasa?

Kati ya Wabunge 22 wa Pwani, 18 ni wa KANU. Inaonyesha kwamba watu wengi wa Pwani walipenda kupigia kura matatizo yao na wakaambiwa na KANU kwamba, wangepigania kura, mahitaji yangukuwa sawa. Lakini wao ndio watu wa kwanza kuteseka, kwa sababu hawana mashamba. Vile vile, unakuta wafanyikazi wa Serikali kama vile PC na DC wanawaamrisha polisi na askari tawala kuwashika na kuwafungia katika jela watu, wakisema hao ni maskwota.

Hivi ninavyozungumza hapa, DC wa Malindi aliwashika watu miezi miwili iliyopita. Waziri Nyenze alitembelea sehemu hiyo na kuambiwa kuwa maskwota wanaharibu msitu. Pia, Waziri wa Ardhi na Makao alitembelea sehemu hiyo na akaambiwa kuna watu wanaoharibu misitu. Watu hao ambao ni wa kutoka Mijikenda wanashikwa kila wakati, lakini korti inawaachilia kwa sababu hawana hatia; wako katika mashamba yao. Ninapozungumza wakati huu, kuna watu karibu 30 ambao wako jela baada ya kunaswa na askari waliotumwa na DC wa Malindi wiki hii. Utawala wa Mkoa unawatesa wananchi wa Kenya wasiokuwa na ardhi, na hii inafanyika Likoni na kila pahali.

Watu wa Pwani si maskwota. Serikali ndio inatufanya tuwe maskwota. Historia inasema kwamba sisi hatukuwa Kenya mpaka mwaka wa 1966 tuliporudi Kenya. Tulikuwa chini ya utawala wa sultan mpaka Malkia wa Uingereza akatoa mkataba walioweka na sultan kwamba ardhi yote, ile ya maili 10, iwe chini ya Kenya. Hata baada ya mkataba huo na malipo yaliyolipwa, Serikali ya Kenya, ikiwa chini ya Mzee Kenyatta wakati ule, iliandika barua ambazo zipo na zinajulikana, kwamba ardhi yote ambayo ilikuwa inamilikiwa na makabaila Waarabu ambao hawaishi Pwani lakini wanakaa Yemen itwaliwe. Wananchi wa Pwani ambao ni Wafrika wanaendelea kulipa kodi ya viwanja mpaka leo. Wananchi hawana vyeti vya kumiliki ardhi kwa nyumba ambazo zipo Likoni na Kisauni. Hata kwenye Kisiwa cha Mombasa, wananchi hawana vyeti vya kumiliki ardhi; wanalipa kodi ya viwanja kila mwezi kwa makabaila kupitia kwa maajenti wao. Kabla ya kujenga nyumba yako Kisauni, unahitajika kulipa Kshs300,000, kisha kila mwisho wa mwezi unalipa Kshs500 kwa kabaila.

Tena, anaweka maajenti na mawakili. Ukishindwa kulipa, nyumba yako inauzwa na unafukuzwa. Serikali ya Kenya imetukataza sisi watu wa Pwani kugawanyika ardhi ile kama White Highlands. Wakati kulikuwa na mkataba kama huo, watu walipewa mikopo na wakanunua ardhi hiyo. Kwa nini sisi watu wa Pwani tunaletewa wakuu wa wilaya na maofisa tawala wa tarafa wanaotupiga viboko wakati wote kwa kuitwa maskwota na sisi hatujakuwa maskwota katika nchi yetu?

Serikali imepoteza mwelekeo. Siungi mkono wito wa kuvamia ardhi ya watu wengine na kama nilikuwa ninaunga mkono, tungekuwa tumevamia ardhi zote za Waarabu kule Pwani kwa sababu wanatudai kodi kila mwezi, sisi Waafrika. Lakini kama tunafanywa namna hiyo, na Serikali inakubali--- KANU inawaambia wananchi wapige kura ili shida hiyo itatuliwe, lakini hakuna chochote kinafanyika. Hii ndio sababu kila wakati ninasema kwamba mwaka wa 2002 ukifika, watu wote wa Pwani watajiunga na Upinzani kwa uchungu wa kukaa kama maskwota kwa muda mrefu!

(Applause)

An hon. Member: Kwa nini ulienda Upinzani? Si wewe ni wa KANU?

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

Mr. Maitha: Kama KANU haiwezi kuwapa maskwota ardhi, inafanya kazi gani?

Bw. Naibu Spika wa Muda, nikiunga mkono Hoja hii, ninataka kusema kwamba sensa ya maskwota ni lazima ifanywe katika nchi yote. Kule Zimbabwe, ambako kuna matatizo, yametokea kwa sababu Serikali ilishindwa kuweka sensa ya maskwota ili kuwatafutia ardhi. Serikali ya Rais Mugabe inafanya siasa kwa kuwatumia wananchi kuvamia mashamba ya watu ili irudi tena uongozini. Ninaamini Kenya, wale wanasiasa wanaosema kwamba wanataka kuvamia mashamba ya Wazungu wanatumiwa na Serikali hii ili ionekane kwamba wao wanasema sawa sawa na ni uongo. Mhe. Ndicho, ni nani ambaye anaweza kusema kuwa atavamia mashamba ya watu wengine bila kuchukuliwa hatua yoyote na wale wengineo? Unaweza ukatumiwa kwa siasa za pesa nane. Ukweli ni kwamba wananchi wa Kenya lazima waheshimiwe katika ardhi waliopigania wenyewe.

Bw. Naibu Spika wa Muda, kama wapiganiaji Uhuru wa chama cha zamani cha Mau Mau wangekuja hapa kupiga watu makofi ama viboko, kila Mbunge katika Bunge hili angepata kiboko. Hii ni kwa sababu wengi wa wapiganiaji Uhuru wale walikufa na kuteseka mwituni wakitetea ardhi ya nchi hii. Leo, tunawatesa wananchi na kuwaita "maskwota". Ni lazima Utawala wa Mikoa uache kuwatesa wananchi wa Kenya, na ukome kuwatia watu nguvuni eti kwa sababu wao ni maskwota.

Kwa hayo machache, naiunga mkono Hoja hii.

(Question proposed)

The Minister for Environment (Mr. Nyenze): Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me a chance to contribute to this very important Motion.

I just want to make one point very clear here. In the first place, the so-called "squatters", who were evicted from Government forests had, illegally, invaded those forests. Those people who moved into the forests between 1988 and 1999, especially in the areas referred to by hon. Kiunjuri, invaded those forests. So, they were illegal squatters; that is why they were removed from those forests. I just wanted to say that with Kenya's population growing at a very---

Mr. Wamae: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is it in order for the Minister to state that those people who were removed from the forests in 1988 and 1989 (?) were illegal squatters when those people were, indeed, settled in those areas by the Government, where they had even built schools?

The Minister for Environment (Mr. Nyenze): Mr. Temporary Deputy Speaker, Sir, because the Government takes care of its people, it could not just remove the said people from those forests, even though they had occupied those forests illegally, or refuse to give them some land to build schools for their children to learn in. The hon. Member is aware of this arrangement because he had toured that area.

Mr. Kiunjuri: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is it in order for the Minister to bring confusion to a Government policy, noting that the Government is on record as having promised to resettle those people? Those people had been settled in that area by the Government. Is he in order to continue misleading this House?

The Minister for Environment (Mr. Nyenze): Mr. Temporary Deputy Speaker, Sir, in order to set the record straight, I would like the hon. Member to bring to this House any evidence to the effect that the Government had promised to resettle those people in that area.

In contributing to this Motion, I would like to say that the population of this country has been increasing by over 3 per cent per annum, although land has not been increasing. Due to population explosion, demand for land has increased all over the country. I would also like to correct the notion that landless people in this country are only found in Central and Coast Provinces; squatters are found everywhere in this country, including Ukambani. However, the Government is trying very much to settle the landless people in this country. Let me not call them "squatters"; they are landless people. The problem is that whenever the Government makes a move to degazette some area and settle those people, most Opposition hon. Members come up in arms to stop such a move. How can you tie someone's hands and expect him to do what you want him to do?

Mr. Gatabaki: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the Minister not misleading this House by insinuating that the degazettement of parts of some forests in this country is for the settlement of landless people when we know very well that such land is dished out to wealthy and politically-correct Kenyans, who have been named time and again in this House? Karura Forest is a good example.

The Minister for Environment (Mr. Nyenze): Mr. Temporary Deputy Speaker, Sir, I would like to have protection from the Chair, so that I may contribute to the Motion. What I was saying is that Kenya's forest cover is less

than 3 per cent of the total land area. We are, today, experiencing an acute rainfall shortage, power rationing, and other things. All this is due to the destruction of forests. If we settle more people in big chunks of land, we will still reduce this percentage. What the Government is doing, and I am sure that most of these hon. Members have seen me visiting their areas where there are squatters, is to settle down these people. Hon. Wamae can bear me witness, that this has been happening. I would not like to engage hon. Members, especially, the Mover of this Motion--- I do not want to wash our dirty linen here. The hon. Member had requested me for some piece of land to settle his people because he complained that they were left out, but I told him to follow the proper procedure, and we are trying the best we can to solve the problem. I was surprised that he brought this Motion before the House, but while that is going on, I also want to say that wherever you go in the country--- Just two weeks ago, there was a question of Taita- Taveta---

Mr. Kiunjuri: On a point of order, Mr. Temporary Deputy Speaker, Sir. Is the Minister in order to mislead this House that he can reach an agreement with any hon. Member to give him a piece of land to settle squatters? Does the Minister own land? Is he in order to mislead the House that he can do that?

The Minister for Environment (Mr. Nyenze): Thank you, Mr. Temporary Deputy Speaker, Sir. As a Government Minister in charge of forests, I know he wanted to be given some parts of the forest, but I do not want to say that, although I am in order to say it. I am saying that the question of landlessness is very sensitive. I urge my colleagues from both sides of the House not to encourage people to move either to Government forests or private property because this will scare away investors and bring a lot of problems. I have seen this happen. Even in Ukambani, last week, I saw some people telling others to move into a piece of land and settle there instead of letting elephants eat the grass. The same problem is being experienced in the Mount Kenya region. For heaven's sake, this mismanagement of the environment by encouraging people to move to those weak ecosystems is the one that is causing power rationing today, because the rivers are drying up.

On the issue of settling squatters, which is the main thing the hon. Member has asked for, there is an elaborate plan going on. The issue of land is very sensitive and we have to establish who is a genuine squatter. I think the Provincial Administration in every province has involved hon. Members of Parliament in trying to consult on the disputed areas, and in establishing the right people who should benefit once land has been degazetted. So, I would like to urge the hon. Members, instead of hitting at the Provincial Administration, to liaise with them, so that we can settle these people. All the other hon. Members from Central Province attended a meeting where genuine squatters were established.

Mr. Temporary Deputy Speaker, Sir, I would like to say that trying to bring other people behind the door to benefit so that you can get votes will not do. That is wrong! Let us follow the laid-down procedure. Let us be frank and truthful in order to move forward and settle these people. Let me also say that in Kenya, today, the question of settling landless---

Mr. Gatabaki: On a point of order, Mr. Temporary Deputy Speaker, Sir. I have never been involved anywhere with the Provincial Administration in as far as degazettement of our forests is concerned. I would like to say that the Minister is misleading this House by, again and again, insinuating that we have been party to destruction of forests; the Government has been, and there is no connection whatsoever in what the Government has done with regard to the power rationing that is going on. Is it in order for the Minister to keep on misleading the House instead of respecting the Government policy on landless people?

The Minister for Environment (Mr. Nyenze): Thank you, Mr. Temporary Deputy Speaker, Sir. Most of the times, some Members, like hon. Gatabaki, shun them because they think that they are KANU rallies. These are not KANU meetings.

To continue, I would say that unless we work together as a team in this one where Nyeri was involved--- I never invited the KANU people alone. We sat down and agreed. However, whenever some hon. Members are called, they develop cold feet, or think we are going to play politics. That is why you hear those kinds of questions being raised. We are very fortunate to have our country enjoying this kind of peace at the moment. It is good to remind these hon. Members that without peace, we would not be in this country, this Parliament. I would urge hon. Members, especially hon. Gatabaki, that instead of always provoking and criticising the Government and viewing everything that the Government does with suspicion, they should give us that benefit of doubt and a chance to develop. We want to settle this issue of landlessness completely because we are in the process of reviewing our laws. Whenever the Government tries to move ahead they block our efforts. How will we move forward?

I do not support the Motion.

Dr. Wekesa: Thank you, Mr. Temporary Deputy Speaker. I wish to take this opportunity to congratulate hon. Kiunjuri for bringing this very important Motion which touches all of us. Indeed, it is a very big problem in Western Kenya and Trans Nzoia. In my area we have Timboroa Forest, Kobolet Forest in Cherengani, Sikhendu Forest in Saboti and Chepyuk in Mt. Elgon. I mention these forests because I have squatters in my constituency and they have all come from these areas. It is a big problem. I was very interested in the history of the squatters as elucidated by hon.

Kiunjuri. All of us must go back to this history and examine how the mistakes were made.

In 1983, when I was vying for the Kitale West parliamentary seat, I had an opportunity to work and campaign in Timboroa. The forest in this area was very well developed. I am surprised to hear the Minister say that the "squatters", as we know them now, were illegal residents of the forest. I am sorry to say that the squatters in Timboroa consisted of the workers in the forest, many of whom had been there for a long time. The Civil Service then contained of foresters who had worked for the forest department for many years. They had sired their sons and daughters in those forests for 25 years and, they were still working for the Government. Their sons had become squatters. The Government had built health clinics, and there were Government administrative offices in Timboroa. I had the opportunity of conducting Harambee meetings for clinics and schools in Timboroa. Those were not illegal settlers. Forests were properly managed and there was law and order. At that time, the squatters knew where to cultivate and where to plant trees. There was no mass deforestation as there is now.

Mr. Temporary Deputy Speaker, Sir, I would like to draw the attention of hon. Members to the land issue in this country because it is very, very sensitive. Hon. Members on the both sides of the House, even if they are billionaires, need a piece of land. Why should a billionaire go for more pieces of land? Does the poor squatter not also need a piece of land?

Mr. Temporary Deputy Speaker, Sir, it will be very good for some of us to lose their parliamentary seats. I have gone through it. I have been an hon. Member. When I lost my parliamentary seat, I spent seven years at home. I would wish that hon. Members here also lose their parliamentary seats and go home to stay with those poor people. They will realise that the so-called squatter in Kenya today is a person whom this Government should recognise before we have more problems. I do not prescribe to hon. Ndicho's philosophy. Therefore, I do not prescribe to the idea of urging Kenyans to invade people's land, although some people have said they will come and invade my land. This is regrettable. I would like to ask this Government to address the issue of squatters seriously. I commend the Government for formulating a land policy, and once it is brought before this House, all of us should think of the landless people. In my area, the landless persons are not only the forest squatters, but there are victims of the clashes and, the Agricultural Development Corporation (ADC) workers who worked for the corporation for many years, and now they are living behind the market centres and in church compounds because they have nowhere else to go. I feel that some youths of this country who are moving from one office to another looking for employment should be treated as squatters because the insensitive KANU Government has ruined the economy of this country and can no longer look after them. Those landless youths who have degree certificates and are not employed should also be treated as squatters. When the Government comes up with a proper land settlement scheme, they should be considered for settlement.

Mr. Temporary Deputy Speaker, Sir, we had a land settlement scheme that was started in 1963, and I do not know what happened after that. We had a very good process through which landless people could apply to the Government in order to be considered and be given two-and-half acres, five acres, 30 acres, or 50 acres. Where did that process go to? The parcels of Government land that are available now are quietly being given to people. About three weeks ago, I mentioned in this House about the transparency in the land settlement scheme that we, Kenyans, have had; that the KANU Government has had all these years, and asked what happened to it.

I heard Mr. Kiunjuri saying that there is a list of squatters, but, my friend, even if we have it, where will the squatters apply to in order to be allocated a piece of land? Do they apply to the DO, or the DC? Will the parcels of Government land available be given out to Kenyans, and will they be advertised in the Press? How does a poor Kenyan, who cannot read and write, apply for that piece of land? This is what we are talking about. This Government must wake up and realise that we have a time bomb in Kenya today; like the time bomb that exploded in the Philippines, and the Philippine Government could not realise it beforehand.

I would like the Government to consider the landless people for settlement, and not consider them on tribal basis, as it has been in my constituency. I was elected to this House for the second time by all Kenyans; all tribes voted for me. When I talk about allocation of a piece of land for the squatters, I do not mean a piece of land for the Luhya, the Kalenjins and the Kikuyus; I mean a piece of land for all the landless Kenyans. All of us here should start thinking nationally, because we have been compartmentalised and put into tribes in the last 20 years. We would like to go back to the situation as it was; that for any piece of land available in Mt. Kenya, a Luhya can go there, apply for it and get it. But the recent development, where we see a piece of land being set aside for a certain tribe, has caused and increased tribalism, and we would like this to end.

Mr. Temporary Deputy Speaker, Sir, I beg to support the Motion.

Mr. Kajembe: Thank you, Mr. Temporary Deputy Speaker, Sir. I am one of those Members who support this Motion, but with amendments. I am saying that because this Motion touches on every Kenyan.

The Temporary Deputy Speaker (Mr. Poghiso): Order, Mr. Kajembe! You know, there is a procedure to follow when you want to propose an amendment to a Motion. So what amendment are you proposing to this Motion?

Mr. Kajembe: Mr. Temporary Deputy Speaker, Sir, in this Motion, the Mover talks of specific areas when the problem of squatters started; [**Mr. Kajembe**] that is, in 1988. I would say that the Mover is very lucky because the squatter problem started in his area in 1988, but in other areas---

The Temporary Deputy Speaker (Mr. Poghio): Order, Mr. Kajembe! You either now support this Motion as it is, or propose an amendment to it.

Mr. Kajembe: Mr. Temporary Deputy Speaker, Sir, I have said that I support this Motion, and I am very clear on that.

The Temporary Deputy Speaker (Mr. Poghio): Then, proceed from that point!

Mr. Kajembe: Mr. Temporary Deputy Speaker, Sir, I am saying that because the problem of squatters in this country touches on everybody, and I would say that the Mover is very lucky because in these specific areas he has mentioned, the problem started in 1988, but in the Coast Province, the problem started the day Kenya got her Independence.

Before Independence, people in the Coast Province knew the boundaries of their land. When we achieved our Independence, the Government allocated land to individual people. The way land was allocated at Independence was not fair because the indigenous people of the Coast Province were not given land. Those who were allocated land in the early 1960s were allocated very prime land, which they sold for millions of shillings. They then came to Nairobi, while others went abroad and invested. Today, they are the same people saying that there is poverty in Coast Province. Who made the people of Coast Province poor? The poverty we are experiencing today is a result of those people who grabbed land from the Coast. Today, they are the millionaires of this country.

Mr. Temporary Deputy Speaker, Sir, I suggest that the Ministry of Lands and Settlement should take over the management of forests in this country. There is need for forest land in this country to be reviewed. Some of these forests are not worth being called forests. There are squatters living in those forests. Therefore, the areas where squatters are living should be chopped off and be allocated to them.

Mr. Temporary Deputy Speaker, Sir, I understand squatters and the landless people to be different people, because everybody deserves land in this country. The Government should consider allocating Government houses to the occupants. In my constituency, Chagamwe, there has been a lot of suffering. It is now routine that people grab land with letters of allotment. They do not know, for example, where Miritini is, but they come with letters of allotment to be shown particular pieces of land. That kind of land allocation should come to an end. The Government should ensure that the squatters and the landless who are allocated any land in this country are deserving cases.

Mr. Temporary Deputy Speaker, Sir, there is need to settle the squatters near Mt. Kenya. The Government should sub-divide a portion of Mt. Kenya to those squatters. There is nothing wrong in doing that because the population of this country has risen. For this reason, the Government should provide adequate land for its citizens.

With those few remarks, I beg to support.

ADJOURNMENT

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

The House rose at 2.30 p.m.