NATIONAL ASSEMBLY

OFFICIAL REPORT

Thursday, 11th June 2015

The House met at 2.30 p.m.

[The Speaker (Hon. Muturi) in the Chair]

PRAYERS

MESSAGES

COMMUNICATION FROM THE CHAIR

REFERRAL OF PUBLIC PROCUREMENT AND ASSET
DISPOSAL BILL/ PUBLIC AUDIT BILL, 2014

Hon. Speaker: Hon. Members, this Communication relates to referral by His Excellency the President of the Public Procurement and Asset Disposal Bill, 2014 and the Public Audit Bill, 2014.

Hon. Members, you may recall that during the first part of this Session, the National Assembly passed the Public Procurement and Asset Disposal Bill, 2014, and the Public Audit Bill, 2014, which had constitutional deadlines. Thereafter, I presented the Bills for assent to His Excellency the President on 27th May 2015 in accordance with the provisions of the Constitution and our Standing Orders. However, on 10th June 2015, His Excellency the President, by way of a memorandum, referred the Bills back to the National Assembly for reconsideration pursuant to the provisions of Article 115(1)(b) of the Constitution.

Hon. Members, on the Public Procurement and Asset Disposal Bill, 2014 the President has expressed reservations on Clauses 51 and 124. Consequently, the President recommends amendment of sub-clause (3) of Clause 51 and deletion of sub-clause (4) of Clause 124 and the insertion of a new sub-clause (4) therefor.

Regarding the Public Audit Bill, 2014, the President has made recommendations on Clauses 4, 8, 16, 19 and 66. The President has also recommended the insertion of new Clauses 11A and 40A.

Hon. Members, it is important from the outset to note that these two Bills were considered by the two Houses of Parliament. In this regard, the consideration of the Presidential Memoranda will be by both the National Assembly and the Senate.

Hon. Members, let me remind you that I have always observed that some provisions of our Standing Orders, especially those related to the consideration of Presidential Memorandum on a Bill, do not accord with the Constitution. For instance, the provision of Standing Order No.155, which commits Presidential Memoranda on a

Bill considered by both Houses to a joint committee, seems to offend the provisions of Article 115 of the Constitution. While the provision of Standing Order No.155 foresees the adoption of a report of a joint committee of the two Houses, the Constitution requires that any amendment to a Presidential recommendation, or a total rejection of the recommendations, should be supported by a vote of at least two-thirds of the Members of the National Assembly and two-thirds of the delegations in the Senate. With this in mind, this may be said to be one of the instances where we cannot use the Standing Orders in considering the matters at hand.

Hon. Members, in view of the foregoing, I will issue a comprehensive guidance on how to proceed with the above matters on Tuesday, 16th June 2015. In the meantime, the memoranda stand committed to the Departmental Committee on Finance, Planning and Trade for consideration.

Thank you.

PAPERS LAID

Hon. A.B. Duale: Hon. Speaker, I beg to lay the following Papers on the Table of the House:-

The Programme-based Budget of the National Government of Kenya for the year ending 30th June 2016.

The Report of the Auditor-General on the Financial Statements of the Ministry of Transport and Infrastructure for the year ended 30th June 2014 and the Certificate of the Auditor-General therein.

The Report of the Auditor-General on the Financial Statements of the Commission for the Implementation of the Constitution for the year ended 30th June 2014 and the Certificate of the Auditor General therein.

The Report of the Auditor-General on the Financial Statements of the Kenya Civil Aviation Authority for the year ended 30th June 2014 and the Certificate of the Auditor General therein.

The Report of the Auditor-General on the Financial Statements of the State Corporations Appeals Tribunal for the year ended 30th June 2014 and the Certificate of the Auditor General therein.

The Report of the Auditor-General on the Financial Statements of the Constituencies Development Fund for Roysambu Constituency for the year ended 30th June 2014 and the Certificate of the Auditor-General therein.

Thank you, Hon. Speaker.

Hon. Speaker: Chairman, Departmental Committee on Transport, Public Works and Housing, you have two reports?

Hon. (Eng.) Mahamud: Hon. Speaker, I am sorry the Report is not ready today. It will be ready next week.

Hon. Speaker: Both reports?

Hon. (Eng.) Mahamud: Yes, Hon. Speaker.

Hon. Speaker: Next Order!

STATEMENTS

BUSINESS FOR THE WEEK COMMENCING 16TH TO 18TH JUNE 2015

Hon. A.B. Duale: Hon. Speaker, pursuant to Standing Order No.44(2)(a), on behalf of the House Business Committee (HBC), I rise to give the following Statement regarding the business to appear before the House during the week beginning Tuesday, 16th June 2015.

As usual, the HBC met on Tuesday in order to give priority to the business to be transacted. Hon. Members will agree that having resumed from the long recess, we are now re-energised and ready for the business at hand. The HBC proposes to fast track several pending committee reports to clear the backlog dating back to 2013. The following Reports are pending from various committees:-

The Public Investments Committee Special Report on the Procurement of the Tender for the Proposed Kenya Bureau of Standards Coast Regional Offices and Laboratories in Mombasa, laid on the Table of House on Wednesday, 4th June 2014.

The Public Investments Committee Special Report on the Procurement and Financing of the National Social Security Fund Tassia II Infrastructure Development Project, laid on the Table of the House on Wednesday, 30th April 2014.

The Public Investments Committee Special Report on the Restructuring of Kenya Petroleum Refinery Limited, laid on the Table of House on Tuesday, 29th April 2014.

The Nineteenth Report of the Public Investments Committee on the Audited Financial Statements of State Corporations (Volume I and II), laid on the Table of the House on Tuesday, 31st March 2015.

Hon. Speaker, from the Budget and Appropriations Committee, the following reports will be considered for debate:-

The First Quota Budget Implementation Review Report for the National Government by the Controller of Budget for the Financial Year 2014/2015.

The First Half Budget Implementation Review Report for the National Government by the Controller of Budget for 2014/2015, laid on the Table of the House on Thursday, 30th April 2015.

The Report of the Departmental Committee on Education, Research and Technology on the unpaid pension dues to retired teachers (1997 group), laid on the Table of the House on Wednesday, 15th April 2015.

The Report of the Departmental Committee on Agriculture, Livestock and Cooperatives on the crisis facing the sugar industry in Kenya, laid on the Table of the House on Thursday, 12th March 2015.

The Report of the Committee on Labour and Social Welfare on National Social Security Fund, Tassia II Settlement Scheme Infrastructure Development, laid on the Table of the House on Thursday 19th February 2015.

The Report of the Select Committee on Regional Integration on the East African Community Peace and Security Protocol and the Mutual Peace and Security Pact, laid on the Table of the House on Wednesday, 29th April 2015.

The Report of the Committee on Lands on resettlement of squatters in Muri Farm, Mathengeta Tumutumu/Riakanau Farm, Drake Farm and Kasuku Farm, laid on the Table of the House on Thursday, 12th June 2014.

The Report of the Departmental Committee on Lands on degazettement of Government land belonging to Chorlim Cooperative Society, laid on the Table of the House on Tuesday, 2nd December 2014.

The Report of the Committee on Lands on land adjudication issues in Meru and Tharaka-Nithi counties, laid on the Table of the House on Wednesday, 3rd December 2014.

The Report of the Committee on Lands on compensation of evictees of Galleria Shopping Mall and the expansion of Lang'ata Road, laid on the Table of the House on Wednesday, 3rd December 2014.

The Report of the Committee on Lands on land issues in Taita Taveta County, laid on the Table of the House on Wednesday, 3rd December 2014.

The Report of the Departmental Committee on Lands on Banita Settlement Scheme, laid on the Table of the House on Wednesday, 3rd December, 2014.

The Report of the Departmental Committee on Lands on the disputed Karen Land (LR No. 3586/3) laid on the Table of the House on Thursday, 11th December 2014.

The Report of the Select Committee on Implementation on the status of the implementation of the House resolutions from May 2013 to February 2015, laid on the Table of the House on Thursday, 2nd April 2015.

Hon. Speaker, Chairpersons of various committees are notified to avail themselves in the House when their business is scheduled for debate to avoid a situation like the one witnessed yesterday. The House Business Committee should consider imposing sanctions to Committees whose Chairpersons fail to avail themselves to move scheduled business of Committees in the House.

The House Business Committee has taken conscious decision to also schedule 11 Senate Bills for consideration most of which have been pending before this House for some time. The Bills are awaiting Second Reading and they include the following:-

The National Flag, Emblems and Names (Amendment) Bill (Senate Bill No. 2 of 2013)

The County Governments (Amendment) Bill (Senate Bill No. 1 of 2014)

The County Governments (Amendment) Bill (Senate Bill No. 2 of 2014)

The Political Parties (Amendment) Bill (Senate Bill No. 3 of 2014)

The Statute Law (Miscellaneous Amendments) Bill (Senate Bill No. 4 of 2014)

The Public Finance Management (Amendment) Bill (Senate Bill No. 11 of 2014)

The National Honours (Amendment) Bill (Senate Bill No.16 of 2014)

The Government Proceedings (Amendment) Bill (Senate Bill No.10 of 2014)

The County Assemblies Powers and Privileges Bill (Senate Bill No. 14 of 2014)

The Persons with Disabilities (Amendment) Bill (Senate Bill No. 24 of 2014)

The National Youth Service Bill (Senate Bill No. 26 of 2014)

Hon. Speaker, also of priority for consideration are seven Sessional Papers already tabled in this House and they include:-

The Sessional Paper No. 4 of 2013 on the Employment Policy and Strategy for Kenya, laid on the Table of the House on 17th September 2013.

The Sessional Paper No. 5 of 2014 on the National Policy for Peace building and Conflict Management, laid on the Table of the House on 31st July 2014.

The Sessional Paper No. 9 of 2014 on the National Cohesion and Integration, laid on the Table of the House on 31st July 2014.

The Sessional Paper No. 2 of 2013 on the National Industrial Training and Attachment Policy.

The Sessional Paper No. 3 of 2013 on the National Productivity Policy, laid on the Table of the House on 17th July, 2013.

The Sessional Paper No. 2 of 2014 on the National Social Protection Policy, laid on the Table of the House on 17th June 2014.

The Sessional Paper No. 4 on the Governance, Justice, Law and Order Sector Policy (GJLOS), laid on the Table of the House on 12th February 2015.

When the time comes, I will request the Sessional Papers to be moved by the relevant Committee Chairpersons whose interaction with the relevant Ministries is more than that of the Leader of the Majority Party. It is also expected that next week the Report of the Departmental Committee on Finance, Planning and Trade on the vetting of the nominees for the appointment as Governor, Deputy Governor and Chairperson of the Board of Directors of the Central Bank of Kenya (CBK) will be tabled for consideration by the House in keeping with the timelines stipulated under the Public Appointments (Parliamentary Approval) Act, 2011.

The House has just concluded the passage of the year four constitutional Bills and managed to beat the extended deadline of 27th May 2015. The focus has now shifted to year five constitutional Bills which ought to be passed by 27th August 2015 which is just two months away. Allow me to request the Constitutional Implementation Oversight Committee (CIOC) to follow up on these Bills and constantly inform the House on the progress of the publication of those Bills. This will assist the House in planning ahead of the 27th August 2015 timeline.

Regarding the Cabinet Secretaries (CSs) appearing before Committees on Tuesday, 16th June 2015, the schedule is as follows:-

The Cabinet Secretary for Environment, Water and Natural Resources, that is if Hon. Eugene Wamalwa will not be sworn in by then, will meet at 10.00 a.m. before the Departmental Committee on Environment and Natural Resources to answer questions from hon. Rachel Ameso M.P., hon. Mathew Lempurkel M.P. and hon. Dr. Wilberforce Ottichilo.

The Cabinet Secretary for Labour, Social Security and Services will meet at 10.00 a.m. before the Departmental Committee on Labour and Social Welfare to answer questions from hon. Kamoti Mwamkale M.P. and hon. Joe Mutambu M.P.

The Cabinet Secretary for Industrialisation and Enterprise Development will meet at 11.30 a.m. before the Finance, Planning and Trade Committee to answer questions from hon. Dr. Wilberforce Ottichilo and hon. John Waluke M.P.

The Cabinet Secretary for Interior and Co-ordination of National Government and his colleague the Cabinet Secretary for Education, Science and Technology - I expect them in Parliament - will meet at 11.30 a.m. before the Departmental Committee on Administration and National Security and Departmental Committee on Education, Research and Technology to answer a question of critical urgency from Hon. Muluvi, M.P.

They need to tell the nation and the family the whereabouts of that great student. The parents want to know her whereabouts. It has been more than two months and we expect the two Cabinet Secretaries who are in charge of Security and Education to put their heads together before Tuesday and avail an answer to the House.

Finally, the House Business Committee (HBC) will meet on Tuesday, 16th June 2015 at the rise of the House to consider business for the rest of the week.

I now wish to lay the Statement on the Table of the House.

Thank you.

(Hon. A.B. Duale laid the document on the Table)

Hon. Speaker: Order Members and take your seats. Those of you on the passages and gangway, could you take your seats! What is it that some Members are permanently standing? Take a seat. They are several.

Hon. Members, as you all know, today is a special day in our calendar of events. Therefore, I want to take this opportunity to recognise and invite to the National Assembly the following personalities: -

The former (Rtd.) hon. Prime Minister Raila Amolo Odinga.

(Applause)

In the Speaker's Gallery are the following dignitaries: -

The Hon. Maj-Gen.(Rtd.) Nkaissery, Hon. Najib Balala, Dr. Fred Matiang'i, Prof. Kaimenyi, Prof. Wakhungu, Attorney-General, Prof. Githu Muigai, Deputy Chief Justice and Lady Justice Kalpana Rawal. Also in our midst are Sen. (Dr.) Zani, hon. Mumbi Ngaru, Member of the East African Legislative Assembly (EALA) and several Principal Secretaries, Diplomats led by various High Commissioners and Ambassadors, members from the private sector, members of public including schools all who are in the Public Gallery.

They are all welcome to the proceedings of today.

(Applause)

Hon. Members, I am also informed that in our midst is the Chief Whip of EALA who is seated in the Speaker's Gallery.

(Loud consultations)

Next Order!

BILLS

First Readings

THE AGRICULTURE, FISHERIES AND FOOD

AUTHORITY (AMENDMENT) BILL

THE CONTROLLER OF BUDGET BILL

(Orders for First Readings read-Read the First Time and ordered to be referred to the relevant Departmental Committees)

Second Reading

THE TRANSFER OF PRISONERS BILL

(Hon. A.B. Duale on 10.6.2015)

(Resumption of debate interrupted on 10.6.2015)

Hon. Speaker: Order, Members! Please, the general rule is that while you are in the Chamber, everybody is expected as much as possible to remain seated. That is the way it should be. If it is possible, please, remain seated.

Hon. Members, debate on this Bill was concluded. What remains is for the Question to be put which I hereby do.

(Question put and agreed to)

(The Bill was read a Second Time and committed to a Committee of the whole House tomorrow)

MOTION

ADOPTION OF REPORT ON VETTING OF NOMINEE FOR CABINET SECRETARY POSITION

Hon. Members: Put the Question.

Hon. Speaker: Order, Members! You cannot put a Question to nothing. The hon. Asman Kamama will be heard while moving his Motion.

Hon. Abongotum: Thank you, hon. Speaker. I beg to move the following Motion:-

> THAT, pursuant to Article 154(2) of the Constitution and the provisions of Standing Order No.45, this House adopts the Report of the Departmental Committee on Administration and National Security on the Vetting of the Nominee to the Position of Secretary to the Cabinet laid on the Table of the House on Wednesday,10th June 2015.

Hon. Speaker, the Departmental Committee on Administration and National Security of the National Assembly is constituted pursuant to the provisions of Standing Order No. 216 and has executed its mandate in accordance with the provisions of the said Standing Order. The Standing Order mandates the Committee to *inter-alia*, investigate, inquire into and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned ministries and departments. It is expected to vet and report on all appointments where the Constitution or any law requires the National Assembly to approve.

I just want to report to the House that we complied with all the constitutional provisions in the vetting of this nominee. I want to read the findings of the Committee and the verdict.

(Loud consultations)

Hon. Speaker there is loud consultation.

After conducting the vetting exercise, the Committee made the following observations and findings:-

1. Ambassador Dr. Monica Juma has the requisite qualifications and vast experience in the public services which qualifies her for the position of Secretary to the Cabinet.
2. The nominee has risen through the ranks progressively both in the public service and academia rising to the current position as Principal Secretary in the Ministry of Interior and Coordination of the National Government.
3. Ambassador Dr. Monica Juma has never been implicated in any known scandal during her official capacity.
4. The candidate exhibited impressive knowledge of topical issues especially those touching on security and public policy.
5. There was a letter written by this nominee to this House and it is annexed to this report. The letter written by the nominee and addressed to the two Clerks of Parliament, according to the Committee, was in bad faith. It contravenes the spirit of Article 1 of the Constitution of Kenya which provides that sovereign power belongs to the people of Kenya and shall be exercised only in accordance with this Constitution. Article 1 (2) provides that the people may exercise their sovereign power either directly or through their democratically elected representatives. By denying elected representatives access to a public office, the nominee is denying Kenyans a chance to exercise their sovereign authority and is in breach of Article 2(1) of the Constitution.
6. The nominee has not exhibited the responsibilities of leadership as espoused in Article 73(1) (a) (ii) (iii) (iv) of the Constitution which provides that:

   i. "Authority assigned to a State officer-

   (a) is a public trust to be exercised in a manner that-

   ii. (ii) demonstrates respect for the people;

   iii. (iii) brings honour to the nation and dignity to the office; and

   iv. (iv) promotes public confidence in the integrity of the office."
7. Although the nominee has good academic credentials, she lacked a practical approach in dealing with the public and elected representatives. She displayed arrogance and insensitivity to the needs and concerns of the public and the elected leaders.

8. The nominee was not able to articulate the achievements in her tenure as the Principal Secretary in the Ministry of Defence and the Ministry of Interior and Coordination of National Government. There were noticeable rise in insecurity cases during her tenure as a Principal Secretary in the Ministry of Interior and Coordination of National Government.
9. The nominee lacked demonstrable passion to serve the public and their elected representatives

Finally, this is what the Committee recommends:

"That having considered the suitability, capacity and integrity of the nominee and pursuant to the provisions of Article 154 (2) of the Constitution and Section 8 (2) of the Public Appointments (Parliamentary Approval) Act No. 33 of 2011 the Committee recommends that the National Assembly rejects the nomination and subsequent appointment of Ambassador Dr. Monica Kathina Juma for the post of Secretary to the Cabinet."

I want to be seconded by Hon. (Dr.) Humphrey Njuguna.

Thank you, Hon. Speaker and Hon. Members for giving me attention.

Hon. Speaker: Who is seconding? Hon. Humphrey Njuguna.

Hon. H. K. Njuguna: Thank you Hon. Speaker. I rise to second this Motion. I am a member of the Departmental Committee on Administration and National Security.

We went through the whole process of vetting Ambassador Monica Juma as expected. Like the Chairman has said, we found that she has the papers and credentials. However, we have problems with her in relation to Articles 1 and 2 and Chapter Six of the Constitution.

(Applause)

Let me elaborate. Article 1 of our Constitution talks about the sovereign power of the Republic belonging to the people and this power is exercised by the people directly or through their elected representatives.

(Applause)

When Parliament carries out the duty like the vetting process, we are doing it on behalf of the people of Kenya. Chapter Six of the Constitution talks about leadership and integrity. Any State officer carries out his duties on the basis of public trust. He or she carries out those duties on behalf of this sovereign authority. State officers should carry out their duties in a manner consistent with the spirit of the Constitution. He or she should demonstrate respect for the people, bring honour to the nation and dignity of the office and promote public confidence.

Going further to Section 73 (1), when the State officer exercises this authority he should do so selflessly because he is serving the people. So, Dr. Monica Juma admitted and accepted that she authored a letter to this House through the Clerks and said that Members of Parliament are not welcome in her office. Article 1 of the Constitution talks about elected representatives, when Members of Parliament go to her Ministry, they are not going there as Hon. Members but as representatives of the sovereign power of their constituents. In this regard we did our best. We went out of our way because it is not easy to deny a Presidential nominee. However, with all fairness the white smoke refused to come out. Every time we tried, the dark smoke came out. I now wish to end there and second the Motion.

(Question proposed)

Hon. Speaker: Hon. Members, I have received intimation from both the Leader of the Majority Party and the Leader of the Minority Party that they would like to make short comments.

Proceed, Leader of the Majority Party.

Hon. A.B. Duale: Thank you, Hon. Speaker. Procedurally, if the hon. Members of this House look at the Order Paper, they will see that there are amendments by the Leader of the Majority Party. The process is that my amendments, under the Standing Orders, will have in one way or the other---

(Loud consultations)

Hon. Speaker, I want to bring to the attention of the House some serious issues and hon. Members should listen to me. I want to raise serious issues that will allow you to make a determination.

Hon. Speaker, we should not be in a hurry. This is a very serious issue.

(Loud consultations)

Hon. Speaker: Order, hon. Members! Hon. Members, as you know, the Leader of the Majority Party and the Leader of the Minority have priority in speaking. You may not even agree to what they say but you will have to make some decision. So, why not allow them to say what they have to say and then make a decision?

Hon. A. B. Duale: Hon. Speaker, under Article 95 of the Constitution, the hon. Members of this House have three fundamental mandates; namely, legislation, representation and oversight. Vetting of presidential nominees for appointment is an oversight role. Not everybody wants to speak to this Motion but there are many people who want to speak to it.

(Applause)

Hon. Speaker, however minority those people might be in this House, they have a constitutional right to speak.

As I proceed to the substance of the issue that I am raising, I would like to remind my colleagues that today is an important day. We have a Prime Minister and diplomats here---

(Loud consultations)

Hon. Speaker, I want you to address yourself to the question of the effect of this House approving or rejecting this Motion. The Motion proposes the adoption of the Report of the Committee. If the House approves it, we will have adopted---

(Loud consultations)

Hon. Speaker: Order, hon. Members! The majority will always have their way but you must also allow the minority to have their say.

Hon. Duale, finish your contribution so that the Leader of the Minority Party can also speak.

Hon. A. B. Duale: Hon. Speaker, we have only 10 minutes before the National Treasury walks in. Hon. Members, if you listen to me---

(Loud consultations)

Hon. Speaker, I want you to decide on what the effect of the House approving or rejecting the Motion would be; whether the amendment to the Motion by the Leader of the Majority Party is in order, and whether Section 8 of the Public Appointments (Parliamentary Approval) Act, which prescribes the timeline within which a Committee shall consider a nomination and table a Report in the House applies to this House, in light of the amendment introduced to the Act by the Statute Law (Miscellaneous Amendments) Act, 2014.

Hon. Speaker, the first issue you need to consider in your ruling and communication is on the effect of the House approving or rejecting the Motion. This House has made an amendment to the Public Appointments (Parliamentary Approval) Act. Having said that, the question that you must address is whether a rejection of the nominee may infer an indictment of her as the Principal Secretary (PS) for Interior and Coordination of National Government.

Hon. Speaker, Article 47 of the Constitution and the Fair Administrative Action Bill, 2015 provides that every person has a right to administrative action that is expeditious, efficient, lawful, reasonable and procedural.

Hon. Speaker, that is what I want you to address yourself to. The House may agree with the Committee, in which case it will adopt the Committee's Report; or, the House may disagree with the Committee, in which case it will reject the Committee's Report. If the House rejects the Committee's Report by defeating this Motion, the effect will be that the nominee, as proposed by His Excellency the President, in consultation with Parliament---

Hon. Kajwang': On a point of order, Hon. Speaker.

Hon. Speaker: Hon. Members, there is a point of order from Hon. Kajwang'.

(Loud consultations)

Hon. Kajwang': Hon. Speaker, I know that we resolved on 11th February 2015 that the Leader of the Majority Party, in a Motion like this one, shall have 15 minutes to move it. Considering the business of the pronouncement of the Budget highlights, would

I be in order to request that the Motion of the Leader of the Majority Party be limited to the time that he has already spent, so that we can dispose of this matter before the Cabinet Secretary gives us the Budget highlights?

Hon. Speaker: You have finished. There is no time.

(Loud consultations)

Leader of the Majority Party, your time is over. His time is over. Have you moved your amendment?

Hon. A. B. Duale: Hon. Speaker, I beg to move for an extension of the period for consideration of the nominee to the position of Secretary to the Cabinet. Notice is hereby given by me, the Leader of the Majority Party that I intend to move a Motion under Standing Order No.52 (a) which provides that a Motion can be moved without notice.

> THAT, pursuant to the provisions of Section 13 of the Public Appointments (Parliamentary Approval) Act, this House resolves to extend the period for consideration of the nominee for the appointment by a further ten days from 11th June 2015.

I ask Hon. Jamleck Kamau to second.

Hon. Speaker: Hon. Moses Kuria, there is a Question to be proposed. Hon. Jamleck Kamau.

(Loud consultations)

Hon. Kamau: Thank you, Hon. Speaker. I ask Members to just give me one minute. I want to second this Motion.

Hon. Speaker: Are you seconding?

Hon. Kamau: Yes, I am seconding the Motion. I am rising to second the Motion. I ask Members to give me one minute. It is important that as we move forward, and I can see our Cabinet Secretaries here and I am sure they are also reading the mood of the House, to give all Members enough time to look at the contents of this Motion. At the end of the day, the majority will have their way and the minority will have been heard. That is the essence of democracy.

I beg to second.

(Loud consultations)

Hon. Speaker: Order, Hon. Members! The Leader of the Majority Party has taken too long to move a simple Motion. The Question will be put when you understand where we are. We are at the point where there is a proposed Motion. Those of you who may recall, in the course of last year, through the Statute Law (Miscellaneous Amendments) Bill No.18 of 2014, now an Act, you amended the Public Appointments (Parliamentary Approval) Act No.33 of 2011 in Section 13, to provide that the periods for appointments provided for under that Act may be extended.

Hon. Members: No. No. No.

Hon. Speaker: Listen, Hon. Members. You may be saying no. The issue is that the period may be extended by a period of not more than another 14 days but---

Hon. Members: No. No. No.

Hon. Speaker: If many of you cared to listen, by now we would have resolved this matter. There is simple information that you must be alive to, which is that extension can only be through a resolution of the House.

Hon. Members: Yes.

Hon. Speaker: Now you are saying yes but you were saying no. Hon. Members, listen. The Motion by the Leader of the Majority Party has been moved. It has been seconded by Hon. Jamleck Kamau.

(Question proposed)

Hon. Members: Put the Question.

Hon. Speaker: One minute, Leader of the Minority Party.

Hon. Nyenze: Thank you, Hon. Speaker for giving me this chance to contribute to this very important Motion.

Vetting is a very serious exercise. Ambassador Juma is very qualified and she was approved. Dr. Juma holds a PhD from the University of Oxford and a Certificate in Refugee Studies from the same university. Even when the Chairman of the Committee was contributing, he said that Dr. Juma was very qualified. She had all the papers. She had everything it takes to do a good job.

Hon. Members: No. No. No.

Hon. Nyenze: Let us not turn this House into a kangaroo court. We should be seen as honourable House where the rule of law and belief in our Standing Orders carries the day. If the Vetting Committee saw that she was fit to serve, can we break the law because of non-issues? If the qualifications are anchored in law, why should we take--- We have to consider that Dr. Juma has worked in the United Nations (UN) and the African Union (AU), taught at Moi University, worked in the National Defence and done so much for this country. If she is very qualified, why should we punish her because she wrote a letter which I believe was a set-up? Dr. Juma is a recipient of 12 honours and awards, including awards from the World Bank, United Nations Development Programme (UNDP) ---

(Loud consultations)

Hon. Speaker: Order, Members! They say that there is no point of trying to extract blood from a rock.

(Laughter)

Hon. Members, I will put the following two Questions in quick succession. So, listen carefully so that you know how to vote.

The first Question is that, pursuant to the provisions of Section 13 of the Public Appointments (Parliamentary Approval) Act, this House resolves to extend the period for consideration of the nominee for appointment as Secretary to the Cabinet by a further 10 days from 11th June, 2015.

(Question put and negatived)

Hon. Members: Division! Division!

(Several hon. Members stood up in their places)

Hon. Speaker: Hon. Members, resume your seats. I can see that many of you are excited. What is the excitement about? Given our main business for today, those rising in their places claiming for a division have the numbers. However, in exercise of my powers under Standing Order No.1, I order that the Division Bell be rung for only three minutes.

(The Division Bell was rung)

Order, Members! Resume your seats! Hon. Munuve, Hon. Duale and Hon. Cheboi, take your seats. Serjeants-At-Arms, draw the Bars.

Hon. Members, we are past all the things you are saying. Can every Member log out? Hon. Members, I have received indications that there are some Members who are in the habit of forgetting their cards. However, since you are present and this is a special day, I will allow you to vote manually. Those who do not have their cards can stand either to the right or to the left of the Speaker. Come forward.

(Loud consultations)

Hon. Speaker: Hon. Members, I need to proceed with this business. We have not started. There are several of you who have not logged out. The Hon. George Ogalo, Hon. Francis Kilonzo, Hon. George Theuri, Hon. Mary Emaase and Hon. Mutava Musyimi, remove your cards. Listen, Hon. Members. I give you 60 seconds to log in and not to vote.

(Loud consultations)

Hon. Members, some of you are placing requests.

(Loud consultations)

What is the problem? How can we transact business this way? Hon. Members, let me remind you of the Question.

Hon. Members: No!

Hon. Speaker: Hon. Members, you have 60 seconds from now to vote.

(Loud consultations)

DIVISION

(Question of the amendment put and the House divided)

(Question negatived by 163 votes to 55)

AYES: Messrs. Mwangi, Ochieng', Ogalo, Kinoti, Wekesa, Mbui, Mulu, Muluvi, Mungaro, Rai, Bunyasi, Nakara, Maweu, Koyi, K.K Kinyanjui, Sakaja, Shinali, A.B Duale, Anami, Andayi, Mule, Steven Kariuki, ole Metito, Magwanga, Kuria, Ndiege, Mati, Muzee, King'ola, Nyenze, Dawood, Bishop R. Mutua, Kaluma, C.M Nyamai, Bosire, Ms. Gathecha, Ms. Kanyua, Ms. R.K Nyamai, Ms. Muia, Ms. Wanyama, Ms. Mbalu, Ms. Mumo, Ms. F.M. Mutua, Ms. Nyasuna, Ms. Ngetich, Ms. Mwendwa, Ms. Odhiambo-Mabona, Ms. Chae, Ms. T.G Ali, Dr. Shaban, Ms. Lay, Prof. Sambili, Dr. Ottichilo, Dr. Otuoma and Ms. Chidzuga.

NOES: Messrs. S.A Ali, Mwamkale, Lempurkel, Lati, ole Kenta, Wandayi, Abdikadir, Farah, Nooru, Oyugi, Mwiru, Masadia, Sambu, Kimaru, Momanyi, Washiali, Langat, Kangara, B.K Bett, Otsiula, Ganya, Njagagua, Gimose, Geni, Omulele, Anyango, Nanok, Bowen, Karithi, Losiakou, Waweru, Moindi, Ngare, Eric Keter, F.K Wanyonyi, Ferdinand Waititu, Nderitu, Francis Waititu, Njenga, Outa, Odanga, G.W Omondi, Konchella, Chea, Kombe, Mwanyoha, Dukicha, Osman, Bollo, Kiptanui, Banticha, Ondicho, J.K Bett, Kamau, Angwenyi, Serut, Waiganjo, Kobado, Kariuki Ndirangu, J.M Nyaga, Naicca, Gitari, J.K Ng'ang'a, Lomwa, M'uthari, Manje, Njomo, Melly, Kariuki Ndegwa, Nuh, Kemei, Abongotum, Mbiuki, Okoth, Njuguna, Bitok, Aramat, Sang, Robi, Ng'ongo, Memusi, Onyura, Linturi, M.D Duale, Shidiye, Mohamed Abdi, ole Sakuda, Lessonet, Aburi, Gaichuhie, Aluoch, Ngunjiri, ole Ntutu, Wangamati, Bii, Kinyua, Akujah, Letimalo, Otaalo, Makenga, Tong'i, Tonui, Koech, Mwaita, Gichigi, Ndiritu, Arama, Moroto, Isaack, Tiren, Onyango, Karani, Manoti, Ramadhani, Mwadeghu, Munyaka, Musau, Ndirangu, Kisang, Chanzu, Abdi, Cheruiyot, Opore, Cheboi, Ekomwa, Cheptumo, Abdinoor, Alfred Keter, Koinange, Kang'ata, Bedzimba, Kajwang', Nyamweya, Sumra, Mwadime, Ms. Katana, Ms. A.W Ng'ang'a, Ms. Abdalla, Ms. Ombaka, Ms. Ngeny, Ms. Kipchoim, Ms. Kiptui, Ms. Chepkwony,Ms. Machira, Ms. Korere, Ms. Otucho, Ms. Mbugua, Ms. Munene, Ms. Khamisi, Ms. R.N Wanyonyi, Ms. Mitaru, Ms. Nyamunga, Ms. S.W Chege, Ms. Gure, Ms. Chebet, Ms. W.K Njuguna, Eng. Rege, Dr. Murgor, Eng. Mahamud, Eng. Gumbo, Dr. Pukose, Ms. Wahome and Temporary Card (ID.371).

ABSTENTIONS: Ms. Mathenge, Ms. Sunjeev and Ms. Kering.

Hon. Speaker: Order, Members. The total number of Members present is shown on the screen as 210. Of those, it appears that there are some five Members who did not vote "Yes", "No" or indicate an abstention.

Hon. Members: Hon. Duale!

(Laughter)

Hon. Speaker: Hon. Members, these are the results. The "Ayes" have 52 electronic votes and three manual votes, totalling to 55 votes. There are three

Abstentions. The "Nays" have 13 manual votes and 150 electronic votes, totalling to 163 votes.

The "Nays" have it.

(Applause)

Hon. Members, as proposed, I now put the Question.

(Question put and agreed to)

Hon. Speaker: Hon. Members, those on their feet claiming for a Division do not reach the threshold. So, there is no Division.

Next Order!

(Loud consultations)

Order Members!

(Loud consultations)

Hon. (Ms.) Odhiambo-Mabona: On a point of order, Hon. Speaker.

Hon. Speaker: Not on a matter that the House has already resolved. Hon. Members, before I make the next Communication, I want to invite the Chairperson of Budget and Appropriations Committee to make a short statement.

Hon. Musyimi: Much obliged, Hon. Speaker. I just want to take this opportunity to thank the hon. Members here in Plenary for the remarkable role that they played in the Budget making process.Thus far, I also want, through you, to thank them for their participation through the various committees. I also thank the committee chairpersons, the Parliamentary Budget Office for their advice and the National Treasury for their continued advice in all matters to do with finances.

This is a big day for us, as a people, and for the region. They say, as you probably know, that when a beehive is being made, you may think that the world is coming to an end. Democracy sometimes is just like making a beehive; at the end of the day there will be honey. I want to thank hon. Members for their participation. That has always not been easy but certainly, their contribution has been genuine.

With those few remarks, Hon. Speaker, I thank you too for your support. I also thank this honourable House.

Much obliged, Hon. Speaker.

(Loud consultations)

Hon. Speaker: Hon. Members, Standing Order No.25 (b)(ii) provides:-

> "The Speaker may designate a suitable place in the Chamber for the purposes of admitting the Cabinet Secretary responsible for Finance to make a public pronouncement of the Budget Policy Highlights and

Revenue Raising Measures for the national Government as contemplated under the Public Finance Management Act."

Therefore, in accordance with the provisions of Standing Order No.25(c) which provides for the manner of presentation of Budget Speech and Standing Order No.241 as amended, I now call upon the Cabinet Secretary for the National Treasury, Mr. Henry Rotich to make a public pronouncement of the Budget Policy Highlights and Revenue Raising Measures for the national Government for the Financial Year 2015/2016.

I thank you, Hon. Members.

(Applause)

BUDGET ESTIMATES FOR 2015/2016 FINANCIAL YEAR

The Cabinet Secretary for the National Treasury (Mr. Henry Rotich): Hon. Speaker, it is once again my honour to present to this august House the Policy Highlights of the Third Budget of President Uhuru Kenyatta's Administration for the Fiscal Year 2015/2016 in accordance with Section 40 of the Public Financial Management Act, 2012 and Standing Order No. 241 of the National Assembly.

Before I proceed, I wish to take this early opportunity to express my sincere appreciation to the Budget and Appropriations Committee of the National Assembly under the wise and very able leadership of Hon. Mutava Musyimi and other Departmental Committees of Parliament for the constructive engagement with my team and for steering the review of the 2015/2016 Budget Estimates.

Hon. Speaker, in the same vein, allow me also to register my utmost appreciation to all Kenyans who responded to my call for Budget submissions with very insightful suggestions on how to move our country forward. I would also like to thank all the hon. Members who actively participated in various Departmental Committees meetings to review the Budget Estimates.

Finally, my gratitude goes to the entire staff of the National Treasury who have worked many hours including weekends under the able leadership of the Principal Secretary, Dr. Kamau Thugge to put together the Budget documents.

Today, I am addressing Kenyans to inform them of the Government's plan to strengthen our economy further following the gains we have made so far. We would have done much more were it not for the myriads of challenges we have encountered ranging from the terrorist events in Nairobi, Lamu, Mandera and recently in Garissa. We have also had to deal with drought, low tourism, unfavourable tea prices and a weak global economy.

However, I want to say to Kenyans that the economic strategies that the Government is currently pursuing are helping to deal with these headwinds. This can be demonstrated by the fact that our economy continues to be among the fastest growing in the region while preserving macroeconomic stability.

So, today, we are taking further steps to consolidate these gains within a framework of prudent management of public resources. That is why in this Budget we are continuing to allocate resources to areas such as infrastructure, agriculture, security, health, education, social protection and youth empowerment which will help to boost growth and create jobs.

Hon. Speaker, the resilience of the economy and creation of about 800,000 jobs last year is by no means an accident. We have significantly improved the business environment, rolled out the biggest infrastructure in Kenya's history (the Standard Gauge Railway (SGR), completed key programmes in the roads and energy sector and brought down the cost of living. Kenyans are today paying less for their electricity and fuel.

The Jubilee Government's economic agenda is working and things are getting better. The world has expressed growing confidence in Kenya's economic future and Kenyans too share that optimism.

Therefore, this Budget is the extension of an existing solid economic plan to take Kenya to the next level. We plan to continue to implement our plan to complete the new railway in the shortest time possible, complete existing road projects, build new roads under the new approach known as annuity, modernise security operators to make Kenya safe and secure, support our farmers to protect their income, invest in the future by unleashing the potential of Kenyans and support devolution for effective service delivery. This way we will grow our economy, create jobs and reduce poverty.

Hon. Speaker, in framing this Budget, we have taken into account developments both at the global and local fronts. The world economy is projected to grow by 3.5 per cent and 3.8 per cent in 2015 and 2016 respectively up from 3.4 per cent in 2014 buoyed by the stronger growth in advanced economies mainly as a result of the lower oil prices. However, growth in emerging and developing countries remain subdued on account of weaker growth in some major oil exporters because of lower oil prices and diminished macro-economic space.

In Sub-Saharan Africa, growth is projected to slow down to 4.5 per cent in 2015 from 5 per cent in 2014 largely due to lacklustre economic performance of Nigeria and South Africa. However, in 2016, the economy of the Sub-Saharan Region is expected to recover to 5.2 per cent due to the impact of low oil prices and investment in infrastructure.

On the domestic front, growth and employment prospects remains favourable. We have continued to implement prudent fiscal and monetary policies which have resulted in low inflation, steadily declining interest rates and broadly stable exchange rates and a sustainable public debt position.

Reflecting these efforts, the economy expanded by 5.3 per cent in 2014 supported by strong performance in most sectors of the economy which offset the contraction and the tourism sector.

The economy is expected to expand further by between 6.5 and 7 per cent in 2015, and to maintain the same pace over the medium-term bolstered by the lower oil prices, high public and private investment, increased consumer confidence and higher total factor productivity reflecting continued implementation of structural reforms and increased investment in health and education.

Hon. Speaker, in order to anchor our reform agenda and mitigate against shocks that could derail our development agenda, we have a precautionary Stand-by Arrangement and a Stand-by Credit Arrangement with the International Monetary Fund

(IMF) for an amount US$688.3 million. We intend to draw on this facility only in the event of an exogenous, domestic or external shock.

Our economy remains strong and this momentum is gaining pace. We have invested heavily in improving the business environment, improving security, enhancing the quality of transport infrastructure and access to affordable energy, reducing dependence on rain-fed agriculture, improving the quality of healthcare and educational systems and facilitating devolution.

As a result, private sector activity is more dynamic and we are attracting more FDI flows. These efforts have contributed to higher growth experienced in recent years. We nevertheless recognise that challenges remain - challenges of high incidents of poverty and unemployment, frequent droughts and other weather-related shocks, low agricultural and industrial productivity, insecurity in some parts of the country and fiscal inefficiencies and corruption.

Going forward, we must all arise and summon our collective will and commit to tackle these challenges so as to unlock the full potential of our economy and achieve prosperity for all Kenyans. Through this Budget, therefore, we are continuing to focus on implementing the six thematic areas critical to not only addressing the challenges I have just mentioned, but also driving our economy up the value chain to become a regional manufacturing hub on its way to achieving upper middle income status. Accordingly, the Financial Year 2015/16 Budget will:

First, prioritise addressing the security challenge which is critical to creating a friendly business environment for our private sector. This will be complimented by continued macro-economic stability and continued efforts to reduce the cost of doing business so as to unleash the efficiency gains necessary for achieving prosperity for all;

Second, we are committing more resources towards infrastructure development and adopting innovative ways to hasten delivery of better roads and other infrastructure necessary for reducing the cost of business and promoting competitiveness and the productivity of our economy;

Third, we are putting in place measures to drive agricultural and industrial transformation so as to build resilience in our economy, ensure food security and lower food prices, increase quality and diversification of exports, accelerate inclusive growth, create jobs and reduce poverty;

Fourth, we are also opening up opportunities to tap the latent talents and entrepreneurial capabilities of our youth, women and persons with disabilities so as to enable them actively participate in our economic transformation agenda;

Fifth, we will continue to scale up resources and underpin reforms to enhance the quality of our education and healthcare systems with a view to building a healthy and productive human resource base that we need for driving economic growth while at the same time ensuring adequate social safety nets for our vulnerable communities; and,

Sixth, with devolution now taking root, the National Government commits through this Budget to work very closely with the county governments and to facilitate them to build the capacity to better deliver services and development at the grassroots level.

Hon. Speaker, with this background, the rest of my Speech will elaborate various measures we are introducing under each of the six strategic areas. Thereafter, I will share the fiscal outcomes for Fiscal Year 2014/15 and the fiscal forecasts for 2015/16 as well as outline the tax and other policy measures we are proposing to support growth of private sector and employment creation.

IMPROVING THE BUSINESS ENVIRONMENT

Addressing Insecurity Concerns for Business Expansion

Hon. Speaker, tackling insecurity decisively remains the top priority of the Government's strategy to sustain the growth momentum of the economy while creating jobs and reducing poverty on a sustainable basis. Without security for our citizens, achieving our growth and development objectives will remain a mirage.

The recent terrorist attack in Garissa University College is a reminder of the kind of ruthless enemies that we face as a nation. These terrorist activities continue to undermine the investment climate in the country and have contributed to the loss of jobs and declining activity in our tourism industry.

To counter these security challenges, the Government is committed to significantly increase resources to the security sector for purchase of the necessary equipment to effectively address the terrorism menace.

We have committed substantial resources to this sector over the last two years including increasing the number of police vehicles by 2,400 – more than has ever been provided since Independence; equipping our men and women in uniform to control insecurity and better deal with criminals; and recruiting over 15,000 additional security personnel to help secure our country and combat terrorism and crime. We are implementing these measures so as to safeguard the lives of our people while improving the business climate.

To further underscore the importance the Government attaches to strengthening our national security and to provide the best counter terrorism capabilities possible, in the Financial Year 2015/16, I have proposed further allocations to the security organs of Kshs223.9 billion, which is Kshs27.1 billion higher than last year. Out of this amount, I propose to allocate KShs112.5 billion to the Ministry of Defence and National Intelligence Service (NIS) and Kshs102.4 billion to the State Department of Interior and Coordination of National Government.

Hon. Speaker, these monies will be used to build on the security measures we have put in place in the last two financial years. In particular, to enhance the capacity of our security forces to combat crime, I am proposing to allocate the following resources:

- Kshs7.7 billion for lease financing of police/prisons motor vehicles. This will bring the total number of police vehicles under the leasing programme to 3,200 since the time it was started two years ago;
- Kshs15.0 billion for military modernisation;
- Kshs10.0 billion Police Security Modernisation;
- Kshs1.7 billion for Police Medical Insurance Scheme;
- Kshs1.3 billion for Police/APs Houses; and,
- Kshs6.4 billion for AMISOM/Peace Keeping Missions.

I have also allocated Kshs1.4 billion to address poaching of our game animals in the national game parks and reserves.

In addition, we also intend to complete shortly the rolling out of a security surveillance system and command and control system in Nairobi and Mombasa that will enable us monitor, identify and track criminals. Moreover, we are rolling out our border protection programme aimed at controlling the flow of persons in the porous Kenya-Somalia border and also in our ports of entry.

The enhanced allocation to these areas demonstrates, without doubt, our unwavering commitment to secure the lives and property of Kenyans.

Hon. Speaker, with this kind of investment, the response to terrorism attacks will be swift and uncompromising. These investments are essential for our nation and it must work.

Even as we prioritise the security sector, maintaining macro-economic stability remains paramount in sustaining long-term investment, economic growth and employment. It is for this very reason that we aim to strike an appropriate balance between support for rapid and inclusive economic growth and continued fiscal discipline.

Hon. Speaker, the Kenya Shilling exchange rate and, indeed, most currencies in the world have recently been under pressure against the United States (US) dollar largely due to the strengthening dollar in the global currency market which is as a result of strengthened US economy and the anticipation of a tightening of monetary policy by the US Federal Reserve Bank (FRB).

To avoid further pressures, which in part reflect speculative behaviour, the Central Bank of Kenya (CBK) has tightened monetary policy by raising the Central Bank Rate to 10 per cent from 8.5 per cent. This action combined with the significant level of foreign exchange reserves at the CBK which are in excess of US$ 7 billion, and our potential access to additional resources from the International Monetary Fund (IMF) should stabilise the shilling exchange rate against the US dollar.

To ensure debt sustainability, we will endeavour to contain the overall fiscal deficit as well as put emphasis on efficiency and effectiveness in public spending while improving revenue performance. Specifically, fiscal policy will target revenue collection of 21.8 per cent of the Gross Domestic Product (GDP) over the medium-term and containing the growth of total expenditure.

In addition, the policy aims at shifting more public resources from recurrent to capital investment so as to promote strong, sustainable and inclusive growth.

Hon. Speaker, we are also reforming the tax and revenue systems to enhance revenue yields, promote compliance and facilitate private sector growth and development. To this end, I will be outlining several tax measures in the later part of my statement.

I will now move to improving governance. We will strengthen the institutions mandated to fight corruption by enhancing their capacity to fight the vice and by facilitating the development and implementation of a comprehensive programme on corruption prevention and asset recovery. This should help spur efficiency, increase productivity and reduce the cost of doing business.

We know very well corruption remains a challenge that continues to bedevil the nation by undermining the Government’s development agenda. To confront this challenge, His Excellency the President demonstrated his resolve to firmly deal with corruption through his State of the Nation Address in April, 2015.

In addition, the President has launched a new Code of Governance for State Corporations called "Mwongozo" which is expected to address governance and management challenges in our parastatals. To strengthen the governance institutions, I have allocated Kshs2.6 billion to the Ethics and Anti-Corruption Commission (EACC) and Kshs2.2 billion to the Department of Public Prosecutions (DPP) to enable them speed up investigations and prosecutions.

Hon. Speaker, we now require all Ministries Departments and Agencies (MDAs) to use the *e*-procurement module of the IFMIS so as to safeguard loss of public finances through corruption. Further, beginning 1st July, 2015, we shall be fully operationalising the Kenya National Electronic Single Window System for use by all importers and exporters and other related stakeholders. This will enhance transparency, accountability, governance and competitiveness while at the same time improving revenue collection. This will further seal loopholes through which revenues to Government are misappropriated.

An effective, efficient and accountable public service is essential to sustaining our developmental agenda and to moving our country towards upper Middle Income status. In this regard, we are building on the on-going public finance management reforms to further strengthen public finance management oversight, entrench efficiency in expenditure, ensure effective delivery of programmes, reform the tax system and enhance revenue efforts, and promote good corporate governance in the state corporations.

We can achieve a lot more with the resources we generate if only every MDA applies budgetary allocations prudently. Therefore, to assure value for money, first, we will roll out to all MDAs the *e*-procurement module, fully inbuilt with an active price reference to ensure Government does not procure any supplies above the market prices.

Secondly, we shall shortly publish Information Communication and Technology (ICT) standards for all Government ICT consumables and enter into a negotiated framework agreement with established local dealers or assemblers at a discount.

Thirdly, we will expand leasing to all MDAs in respect of depreciating assets and equipment; and fourthly, only projects that have been appraised and found to be viable and whose cost is within reasonable margins of similar projects in the private sector shall commence implementation.

(Applause)

As I stated in my last Budget Highlights, we are moving all payments to Government onto the digital platform. The objective of the Government Digital Programme is to ensure that all payments to Government are made electronically so as to significantly reduce administrative costs, minimise leakages and expand access to payment points. This has enabled Kenyans to pay for Government services wherever they are using payments channels of their choice, thus saving them costs associated with transport and queuing time.

Hon. Speaker, to date, over 400,000 Kenyans have registered on the *e*-Citizen payment platform whose website is www.eCitizen.go.ke. and with over 8,000 transactions so far, revenue collection is averaging about Kshs10 million daily.

Going forward, we have programmed to digitise, at least, 100 inbound payment service transactions by end of 2015 in order to hasten service delivery, reduce transaction cost and safeguard revenue. Priority areas include payments for business registration, land transaction services, motor vehicle and additional services under the registration of persons, including, birth and death certificates.

We are also moving Government services closer to Kenyans through two key initiatives - the state of the art One-Stop-Shop Investment centre and the One-Stop-Shop Service centres, popularly known as Huduma Centres. These centres are now making it easier for investors to set up businesses and citizens to access pubic services.

Through the Huduma Kenya Programme, we are delivering more than 35 services under one roof in 23 counties. By the end of this financial year, we will have rolled out an additional 23 centres, bringing the total number of Huduma Centres to 46.

In the next Financial Year, we shall be expanding to reach all counties. We also intend to harmonise the services provided by *e*-Citizen and by the Huduma Centres to ensure that there is no duplication of services provided to the mwananchi and thereby avoid wastage of the scarce Government resources.

Hon. Speaker, we have been implementing the Kenya National Electronic Single Window System - the Kenya Tradenet System - to facilitate international trade by reducing delays and attendant transaction costs relating to processing of imports and exports documentation while at the same time maintaining the requisite controls and ensuring efficient revenue collection. The declaration module has now been put in place. Beginning 1st July, 2015, all importers and exporters and other related stakeholders will be required to process their transactions through the system. This will enhance transparency, accountability, governance and competitiveness while at the same time improving revenue collection.

As a result of these various initiatives, Kenya continues to receive global recognition. In the medium-term, Kenya is projected by leading economists to be one of the fastest growing economies. Recently, the African Development Bank (ADB) ranked Kenya as number six in Africa in terms of attracting Foreign Direct Investment (FDI) while the Ernst & Young's 2014 Attractiveness Survey indicated that investors see Kenya as one of three regional hub markets in Sub-Saharan Africa.

In addition, our Huduma Centres recently won an award from the United Nations ((UN) as the overall winner in improving the Delivery of PublicServices category.

Hon. Speaker, reducing the cost of doing business and encouraging private sector innovation, entrepreneurship and business expansion is a key prerequisite to achieving strong and sustained economic growth and poverty reduction. As such, starting March, 2015 the Government has been implementing a Business Regulatory Reform Strategy to substantially raise Kenya's global ranking under the World Bank's Doing Business Indicators.

This strategy will focus on measures to improve Kenya's ranking under specific indicators of interest to small businesses and ordinary Kenyans, and of course, domestic and foreign investors. In particular, just to highlight a few key reform areas, the Government intends to: -

- reduce procedures, time and cost of starting a business, getting electricity and registering property by at least 80 per cent in 2016;
- reduce procedures, time and cost of getting construction permits and paying taxes by 50 per cent and 60 per cent, respectively in 2016; and,
- make it easy to access credit and to trade across borders.

Hon. Speaker, the objective of financial sector reforms remains as stated in the Budget Policy Statement (BPS) - to create a robust, accessible, efficient, stable and a globally competitive financial sector that promotes mobilisation of high levels of savings to finance priority development.

As a Government, we have been concerned by the high lending rates which inhibit credit uptake by the private sector. Therefore, to advise on how to increase lending to the private sector for economic growth and development, I constituted a high level Committee on the Cost of Credit and Constraints in Mortgage Finance.

Some of the key recommendations arising from the Committee's work which we shall continue to implement include:

First, requiring all banks to use the Kenya Bankers Reference Rate (KBRR) as a basis for pricing credit. This has enabled borrowers to easily compare lending interest rates offered by different banks. Since the rollout of KBRR framework, the average lending rate for the banking sector has declined from 16.9 per cent in July, 2014 to 15.5 per cent in March, 2015 and the spread between the average lending rate and average deposit rate has also declined from 10.3 per cent to 8.8 per cent over the same period.

Second, developing the Treasury Mobile Direct Programme, which we expect to launch in July, 2015. The launch of M-Akiba Bond will allow Kenyans to purchase Government Securities directly from the comfort of their mobile phones with a minimum investment of only Kshs3,000 compared to the current minimum of Kshs50,000. This will allow Kenyans to enjoy significantly higher interest rates on Government securities compared to bank deposits, through a convenient platform and with a low entry threshold;

Third, fast tracking the modernisation of the Lands and Companies Registries to facilitate quicker collateral process as well as development of an electronic registry for moveable assets; and,

Fourth, ensuring that Government borrowing does not crowd out private sector by containing the fiscal deficit and adopting alternative sources of funding the deficit such as the Euro Bond.

In addition, the high interest rates on lending and the spread between lending and deposit rates also reflect limited competition in the banking sector. Although we have 44 banks, most are small and only a few banks account for the majority of assets and deposits in the industry. Therefore, in order to make the banking system more competitive locally and regionally, I will later be proposing measures that will strengthen the bank's capital base and increase competition.

Hon. Speaker, as required by the Constitution, I have submitted the Central Bank of Kenya Bill, 2015 to the Commission on Implementation of the Constitution (CIC) for further inputs.This Bill gives us an opportunity to comprehensively review the Central

Banking law and align it with international best practices. The Bill will later be submitted to the National Assembly, and I hereby seek the support of this House in its enactment.

The Government will also implement additional measures to further deepen and strengthen the financial sector. In particular, in 2015, the Nairobi International Financial Centre Authority will be made fully operational. Further, to safeguard Kenya's economy against financial instability, the CBK will strengthen the prudential oversight framework and effectively manage risks associated with rapid credit growth, rising cross-border operations and expansion of banks activities into holding groups. The Bank will also review and strictly implement the Prudential Guidelines on Risk Classification of Assets and Provisioning, and regularly report progress.

Hon. Speaker, transforming Kenya's economy towards prosperity for all requires substantial investments in the development of an efficient, faster and affordable transport network as well as affordable energy and modern harbours and airports. These investments will, in turn, reduce the cost of transport, promote competitiveness, open up business opportunities for our people and facilitate faster and more inclusive growth for employment creation and poverty reduction. As such, we are investing substantial resources to improve the conditions of our infrastructure network.

I am pleased to inform hon. Member sand Kenyans at large that the construction of the Standard Gauge Railway (SGR) is progressing well and is ahead of schedule. The construction of the railway started in early 2015 and is expected to be completed around mid-2017, and should significantly reduce the cost of transport, reduce fossil fuel consumption and save our environment. To facilitate the speedyimplementation of this project, I have proposed additional allocation to the Kenya Railways Corporation (KRC) as follows: Kshs118. 2 billion for SGR financed by a loan from China; and, Kshs25.7 billion to be funded from the Railway Development Levy Fund.

Through this project alone, we expect to employ over 30,000 Kenyans at the peak of construction. In addition, we have insisted on a 40 per cent local content requirement that has further created business and employment opportunities for our businesses, industries, entrepreneurs and our women and youth.

Hon. Speaker, our commitment to generate 5,000 Megawatts of power by 2017 is also oncourse, with over 280 Megawatts delivered so far under the geothermal programme As a result, the cost of power has dropped by 30 per cent and will without doubt reduce the cost of doingbusiness, spur growth of enterprise development, encourage industrialisation and help accelerate the achievement of our growth and development objective as stated in Vision 2030. In this regard, I have allocated Kshs13.2 billion for further Geothermal Power Development.

Hon. Speaker, the generation of new electricity is not sufficient to create economic growth unless demand exists to consume it. Therefore, to sustain demand, we program toconnect, at least, one million Kenyans in 2015. The connection will be driven by the recent incentives unveiled by His Excellency the President, including a reduction of connection charges from Kshs35,000 to Kshs15,000. For those not able to raise the required connection charge, they will be allowed to amortize the charge through monthly payments which will be made together with the monthly electricity consumption bill.

To further expand access to electricity in the country, I propose to allocate Kshs21.1 billion for Power Transmission; Kshs14.9 billion for the Rural Electrification

Programme; Kshs4.5 billion for Street lighting; and, Kshs1.5 billion for the Last Mile Connectivity.

Further, the modernisation and expansion of the Port of Mombasa at Kilindini as well as the construction of three berths at Manda Bay in Lamu has commenced.We are now firming up alternative sources of financing to speed up implementation of the Lamu Port. We have also expanded container terminals and cargo handling capacity thus significantly reducing the time it takes to clear cargo. Similarly, under the programme on airports improvement, we are making impressive progress.

Hon. Speaker, the continued expansion of our road network is critical for enhancingthe productivity and competitiveness of our economy. To this end, I have proposed the following allocations for expansion of our road network throughout the country:-

- Kshs58.5 billion for on-going road construction;
- Kshs26.7 billion for road maintenance;
- Kshs42.0 billion for foreign financed roads; and,
- Kshs5.0 billion for the Road Annuity Programme.

Hon. Speaker, as we invest in ports expansion and modernisation, we are cognizant of the challenges faced by ferry users across Likoni. In this regard and in order to assure safety and efficient movement of people and cargo between Mombasa and the mainland, I have allocated Kshs1.3 billion for the purchase of ferries.

The information and communication sector is one of the key sectors targeted in Vision 2030 to help us achieve our growth and developmental objectives. Access to Information, Communication and Technology (ICT) will increase the country's productivity and raise the competitiveness of local businesses in a knowledge based economy.

The Government is, therefore, committed to investing resources as well as providing a conducive environment for the ICT sector to thrive. In order to leverage on ICT, I have allocated Kshs1.9 billion for the continued roll out of IFMIS, Kshs0.8 billion for Konza Techno City, and Kshs0.25 billion for Digital Talent.

The available public sector resources are insufficient to close the existing infrastructure gap. In this context, the Government has recognised the critical role that can be played by the private sector in mobilising resources for infrastructure development and is using the Public Private Partnership (PPP) arrangement to accelerate infrastructure development, create jobs and provide efficient services to the people of Kenya.

The projects currently under the PPP programme include the development of 10,000 kilometers of roads using the annuity approach, the generation of the 5,000MW of electricity, the construction of university hostels, the development of a seaport in Kisumu, the expansion of the Mombasa - Nairobi - Malaba Highway and the construction of the second Nyali Bridge in Mombasa among others. Projects in other sectors of the economy will also be identified and implemented through PPPs.

FOOD SECURITY, INDUSTRIALIZATION AND TRADE FOR JOB CREATION

Hon. Speaker, as Hon Members are aware, agriculture sustains not only our economy but also the livelihood of our people. As such, our strategy for economic transformation and prosperity will not be achieved without investing resources and efforts towards enhancing agricultural productivity. Furthermore, agricultural value addition has the potential to act as a catalyst for Kenya's industrial take-off.

Indeed, business agriculture is steadily gaining traction in our country and a number of Kenyans, including the youth have recently ventured into agri-business as a viable commercial venture.

We are continuing to invest in irrigated agriculture, partly to build resilience in our economy and assure food security for our people throughout the year. To this end, I am pleased to note that we have made good progress in the implementation of various irrigation schemes that we initiated throughout the country.

Our people living in areas served by these schemes now live with dignity away from the perennial exposure to severe hunger and malnutrition.

Hon. Speaker, we are making good progress in the implementation of the 10,000 acres pilot phase of the Galana-Kulalu Irrigation project. The water off-take has been completed, maize planted in over 2,000 acres and shortly, vegetables and herbs among other crops will be planted. Upon successful completion of the pilot, and drawing on the lessons learnt, we shall immediately commence the rollout programme covering, at least, 100,000 acres in Galana – Kulalu and other designated suitable schemes throughout the country under a viable business framework. To fast track the implementation of the various irrigation projects in the country, I have allocated a total of Kshs13.8 billion, comprising of Kshs10.3 billion for the National Irrigation Board (NIB) and Kshs3.5 billion for the Galana Irrigation Project.

We will also continue to invest in water supply and put in place measures to control floods and harvest rain water as well as to protect and conserve the environment. Towards this end, I have allocated Kshs29.5 billion for water supply and sanitation, Kshs2.1 billion for water storage and flood control and Kshs12.6 billion for environmental protection conservation and management.

Hon. Speaker, to ensure food security and lower food prices as well as provide employment opportunities for our youth, I am going a step further to support the agricultural sector through the following interventions:-

- Kshs3.0 billion for inputs subsidy;
- Kshs2.7 billion for the Strategic Grain Reserves;
- Kshs3.1 billion for fisheries development;
- Kshs0.6 billion for the revival of the Kenya Meat Commission;
- Kshs0.3 billion for the revival of the pyrethrum sector;
- Kshs0.3 billion for Free Disease Zone;
- Kshs1.2 billion for compensation of farmers in the Mwea Irrigation Scheme;
- Kshs1.0 billion for coffee debt write off; and,
- Kshs3.5 billion for land titling.

Going forward, as part of our agricultural transformation plan and to start preparing small-scale farmers to move away from rain fed agriculture, we will, over the next few months and after discussions with farmers, introduce a raft of tax incentives for new investment in water facilities and small-holder irrigation equipment.

Industrialization is a key catalyst for moving agriculture up the value chain and diversifying and growing our export base for a sustained higher shared growth and job creation. The Ministry of Industrialization and Enterprise Development is finalizing an industrial transformation strategy which will optimise the prospects for Kenya's industrialisation by supporting local companies based on our comparative advantage and creating conditions for attracting foreign anchor investors.

The later will help us secure global markets for our products and enhance technological transfer to help boost our competitiveness. As part of the strategy, the Government will continue to prioritise and facilitate the establishment of industrial and recreational parks and special economic zones.

Therefore, through this budget, I am proposing to allocate Kshs3.0 billion for industrial development. Later in my speech, I will be outlining some of the tax incentives to hasten development of industrial and recreational parks and Special Economic Zones (SEZs).

Kenya has been recognized as a global leader on clean energy with over 80 percent of the energy mix being green. It is, therefore, imperative that we position our economy as a green industrial hub, leveraging cheaper and cleaner geothermal power, steam and water to competitively produce goods of high quality for the region as well as the global market

Our industrialization strategy will give priority to assembly industries for motor vehicles, domestic appliances, computers and other parts where we have a comparative advantage. We will also target labour-intensive low technology industries such as textiles and leather in the First Phase of this industrialisation agenda to take advantage of the African Growth Opportunity Act (AGOA) and global markets.

To sustain these industries, we intend to invest in industrial and enterprise skills. We are also initiating a targeted approach to identifying potential international investors for our priority industries.

Hon. Speaker, to safeguard our economy against cheap imports and to promote growth of local industries, as His Excellency The President directed during Madaraka Day, I am putting on notice all those public entities that are yet to fully adhere to the requirements of Build-Kenya, Buy-Kenya.

(Applause)

All MDAs are directed to strictly ensure that a minimum of 40 per cent local content requirement is adhered to by the winning tenderers at the procurement and supply stage.

This requirement covers all procurement in respect of road works, railway works, airports and other ports and harbours, works and materials for generation, transmission and distribution of energy and other construction materials made in Kenya.

Similarly, as we expand leasing of equipment and assets in the public sector and commit more resources towards security, irrigation and e-Learning, I expect Accounting Officers to ensure that suppliers establish manufacturing or assembly plants here locally so as to position Kenya as an industrial hub for the region.

(Applause)

The Tourism sector is a major employer of our youth and women as well as a major foreign exchange earner for this country. In recent years, the sector has been severely impacted by insecurity, forcing most hoteliers to scale down their operations and render most of their workers jobless. In order to rehabilitate the industry, I am proposing to allocate in the Budget for the financial year 2015/2016, Kshs5.6 billion for tourism recovery.

(Applause)

Hon. Speaker, the Government is cognizant of the fact that unless we invest in the potential of our youth and women, we will not achieve real demographic and gender dividend in the future. Therefore, in line with the Jubilee Coalition commitment, we have revamped and restructured the National Youth Service (NYS) into a robust and a dynamic institution to drive the youth transformation agenda.

The NYS is expanding both in terms of scale of its operations and the number of youths engaged. Following the three recruitment cycles, the NYS contingent has grown from 6,000 to 31,000 in slightly over one year. Another 10,900 recruits will be recruited in September, 2015 to bring the total to 42, 000. The NYS Service Men and Service Women will be engaged in national service programmes all over the country in areas such as building small dams and water pans, drilling water, agricultural activities, vector control, border control initiatives and other programmes aimed at building community assets and improving the environment and living standards.

Through national service, the NYS is building a new national psyche of nation building, patriotism, service culture, voluntarism, civil competence and social cohesion not only among themselves but also working with other young people within their communities. The Service Men and Service Women will work alongside 220, 000 youths within the communities in which they serve, working on projects all over the country. These community youths are engaged as casual labourers with the added advantage of receiving on-the-job-training and mentorship from the NYS.

Hon. Speaker, the NYS will be the premier training institution on artisanal skills, crafts and technical training. Through the vocational training, the youths will be equipped with skills that will enable them to contribute to economic development. The training is geared at responding to the needs of our national economic agenda and current economic opportunities.

The NYS is aiming to become self-sustainable by establishing the National Construction Company for Kenya that can deliver on various infrastructural projects in the country and beyond. Through the NYS Construction Company, the cost of construction will go down by 30-50 per cent due to the reduction in the cost of labour and machinery.

In the financial year 2015/2016, in order to meet the commitments that we have made to our youths, through the NYS, I am allocating Kshs25 billion towards youth employment and re-engineering the NYS as a vehicle for transforming and empowering the youth.

Hon. Speaker, every big company today started small. The Small and Micro Enterprises (SMEs) are a critical part of the private sector, and are the best source of new products and innovation that will anchor our future growth. Their development is unfortunately hindered by lack of capital since they are considered by banks to be high risk investment targets. In addition, SMEs are constrained by limited market access, poor infrastructure, inadequate knowledge and skills, rapid technology changes and unfavourable laws and regulations.

These challenges have curtailed the growth of many SMEs, contributed to low export product diversification and undermined the national efforts towards graduating from commodities trade to high-end value added manufactured goods. In order to address these challenges, a variety of remedial measures are underway including supporting SMEs to acquire small industrial plants for value addition of agricultural products currently produced under the Jua kali; entrenching Buy-Kenya-Build-Kenya policy in all public procurement; introducing legislation to require, at least, 40 per cent local content in our public projects; increasing allocation to Uwezo Fund and the Youth and Women Enterprise Fund; boosting science, technology and innovation by increasing investment in research and technology; developing a framework to facilitate leasing by SME's as an alternate financing mechanism for capital expenditures, and developing a framework to nurture and commercialise inventions, innovations and end-products at the national and county levels.

Hon. Speaker, in order to empower youth and female entrepreneurs and ensure that they have access to affordable credits to start, grow and build business and enterprises, the Government will continue to increase the capitation of the Youth Enterprise Development Fund, the Women Enterprise Fund and Uwezo Fund. Therefore, in this Budget I am allocating Kshs850,000 million for the Uwezo Fund, Kshs500 million for the Women Enterprise Fund and Kshs300 million for the Youth Enterprise Development Fund.

Although the law requires procuring entities to reserve at least 30 per cent of the procurement to youth, women and persons with disabilities, only about Kshs10 billion has been accessed by this group in the fiscal year 2014/2015. This is below our target and as such, all Accounting Officers are instructed to strictly adhere to the requirements of the law so as to support the entrepreneurial growth of our youths, women and persons with disabilities.

In this respect, starting 1st July, 2015, I expect all Accounting Officers to submit quarterly reports to the National Treasury in regard to the 30 per cent requirement for all procurement.

(Applause)

Hon. Speaker, we would like to close the Chapter of the Economic Stimulus Projects initiated in the last administration. Therefore, in this Budget, I have allocated Kshs600 million for upgrading of the National Schools, Kshs320 million for purchase of computers, Kshs300 million for prototype fresh produce and wholesale markets, and Kshs230 million for Jua kali sheds. Through these programmes, we expect that the concerned Ministries, Department and Agencies (MDAs) will engage the youth and women in gainful economic activities.

Hon. Speaker, development and support of sports, culture and heritage remains a key priority of Government so as to nurture talent of our youth and safeguard our national heritage. As you well know, Kenya is known throughout the world for her undisputed command of athletics. Our athletes continue to do Kenya proud and we aim to develop a pool of such sportsmen and sportswomen.

In partnership with the private sector, we shall invest in sports development, including expansion and modernisation of sports facilities so that we become a sports hub for regional and international sports. As a start, I have allocated Kshs1.8 billion to construct a major stadium in each of the following cities: Nairobi, Mombasa and Eldoret. This will help to encourage growth of youth talents in sports and nurture them as a catalyst for growth and development. We expect the Ministry of Sports, Culture and the Arts to utilise this allocation efficiently by employing modern technologies of construction to deliver on this service.

Further, we shall aim to develop, preserve and protect our culture and national heritage. Towards this end, I propose to allocate Kshs1.1 billion for cultural programmes.

Hon. Speaker, I now turn to investment in quality education. We have made tremendous progress over the recent past on educational access largely due to increased enrolment, following the introduction of free primary education in 2003 and free tuition in secondary schools in 2006. However, there are still concerns on the quality and relevance of education and the high number of pupils dropping out of school with no clear alternative access to acquisition of lifelong skills to enable them to find jobs.

To improve the quality of basic education in our country and lessen the burden of parents, I propose to increase capitation to Kshs32.7 billion for free day secondary school education and Kshs14.1 billion for Free Primary Education (FPF). This will take us a step closer to making Free Primary and Secondary Education truly free. In addition, I am allocating Kshs400 million for sanitary towels for girls in school and Kshs1 billion for the School Feeding Programme to ensure that no child misses school. Similarly, I propose to allocate Kshs3 billion for technical training institutes, Kshs52.9 billion for university education and Kshs7.5 billion for Higher Education Loans Board (HELB) to increase the quality as well as access to tertiary institutions.

To further support the demand for increased enrolment, I propose to allocate Kshs2.3 billion for the recruitment of an additional 5,000 teachers and Kshs2.2 billion for promotion of teachers. Improving the quality of our education system and making it accessible to all school-going children through a comprehensive e-learning programme remains a priority of this Administration. As such, through this Budget, we are, once again, allocating a total of Kshs17.58 billion for deployment of Information and Communication Technology (ICT) learning devices to schools, development of digital content, building the capacity of teachers and rolling out computer laboratories for Class 4 to Class 8 in all schools throughout the country. I am confident that this time round, this key Jubilee Government project will finally take off.

(Applause)

As a Government that deeply cares for its most vulnerable members of society, we have set aside resources for affirmative action interventions and social safety nets so as to empower those Kenyans and enable them to actively participate in our economic development agenda. Accordingly, I have set aside:-

(1) Kshs2.1 billion for Affirmative Action, Social Development Fund;

(2) Kshs9 billion for orphans and vulnerable children;

(3) Kshs7.4 billion for elderly persons;

(4) Kshs1.2 billion for those with extreme disability;

(5) Kshs300 million for other disabled persons under the coverage of cash transfer;

(6) Kshs300 million for street families;

(7) Kshs500 million for insurance cover for persons under the social safety net programme through National Hospital Insurance Fund (NHIF);

(8) Kshs800 million for the Children Welfare Society;

(9) Kshs400 million for the Presidential Secondary School Bursary Scheme for orphans, poor and bright children;

(10) Kshs2.2 billion for resettlement of Internally Displaced Persons (IDPs);

(11) Kshs1.3 billion for hunger safety nets;

(12) Kshs1.3 billion for slum upgrading;

(13) Kshs1 billion seed capital for the National Fund for Restorative Justice.

To improve the efficiency and effectiveness of targeting of the safety net programmes, we shall move all the transfer payments to beneficiaries to a digital platform which should improve transparency, accountability and reduce cost.

The Government recognises that investment in quality healthcare services is essential in developing a healthy population with higher productivity for sustained economic growth. Therefore, in partnership with county governments, we have commenced a programme of upgrading healthcare infrastructure and modernising equipment. The recently launched Managed Equipment Services project will ensure that every county in Kenya has two fully equipped hospitals with state-of-the-art healthcare facilities. I welcome the fact that governors have now accepted to partner with the national Government towards improving health services for the *wananchi*.

This essential project will provide each of the selected hospitals with modern theatre equipment, surgical sterilisation equipment, laboratory equipment, kidney dialysis equipment, Intensive Care Unit (ICU) facilities, and digital X-ray machines, ultra-sound and imaging equipment. I have proposed an allocation of Kshs4.5 billion for the lease financing of healthcare equipment for this programme in the 2015/2016 Financial Year.

Consistent with our policy objective of preventive healthcare programme, notable progress has been registered in our efforts towards eradicating infant as well as maternal mortality. Since the introduction of the free maternal services, cases of maternal deaths in the country have reduced from 500 per 100,000 live births to 488 deaths for every 100,000 live births annually, at a time when the number of women giving birth in hospitals rose to 70 per cent, up from 44 per cent. To further support this programme, I have allocated Kshs4.3 billion in the 2015/2016 Financial Year. I have also provided for the following intervention in the health sector:-

(1) Kshs3.5 billion for Kenya Medical Training Centres;

(2) Khs9.3 billion for the Kenyatta National Hospital;
(3) Kshs5.8 billion for the Moi Teaching and Referral Hospital;
(4) Kshs1.9 billion for the Kenya Medical Research Institute;
(5) Kshs3 billion for doctors/clinical officers/nurses internship programme;
(6) Kshs900 million for the National Aids Control Council;
(7) Kshs900 million for free access to all health centres and dispensaries;
(8) Kshs1 billion for slum healthcare programme and
(9) Kshs19.7 billion for HIV/AIDS, Malaria and Tuberculosis (TB) under the Global Fund Initiative.

(Applause)

I now move to strengthening devolution and regional development. The decentralisation of service delivery and resources through devolution has had a profound effect on the lives of our people at the grassroots level. As witnessed across the country in the past two years of devolution, local development is gaining traction as counties are becoming the new centres for economic activity. To lock in and sustain those gains, we will continue to support county governments through increased allocation of shareable revenue so as to ensure that devolution achieves the objective of better service delivery and rapid local economic development, as well as job creation in line with our Vision 2030. Therefore, Parliament has allocated to county governments Kshs259.7 billion as shareable revenue following consultations with the Inter-Governmental Budget and Economic Council (IBEC) comprising the Council of Governors (CoG), the Commission on Revenue Allocation (CRA), the Commission for the Implementation of the Constitution (CIC) and the Parliamentary Service Commission (PSC). In addition, to further support the implementation of the devolved system of Government, Kshs27.3 billion has been set aside as additional conditional allocation to counties in the 2015/2016 Financial Year as follows:-

(1) Kshs4.3 billion as conditional grant for Free Maternal Healthcare;
(2) Kshs4.5 billion as conditional grant for leasing medical equipment;
(3) Kshs3.6 billion as conditional grant for Level 5 hospitals.
(4) Kshs900 million as conditional grants to compensate county health facilities for user-fees foregone.
(5) Kshs3.3 billion as conditional grants for maintenance of roads from the Road Maintenance Fuel Levy Fund; and
(6) Kshs.10.7 billion as conditional allocations from Development Partners’ loans and grants.

This brings the total allocation to county governments to Kshs287 billion, which is equivalent to 37 per cent of the most recent audited revenues approved by the National Assembly, which amounted to Kshs776.6 billion in the 2012/2013 Financial Year. This is more than twice the mandated constitutional threshold of not less than 15 per cent.

In addition, I have allocated Kshs35.2 billion to the Constituencies Development Fund (CDF) kitty to fund only national Government functions such as education and security at the constituency level. In addition, I have allocated Kshs6 billion for the Equalisation Fund to cater for the backlog and allocation for the 2015/2016 Financial

Year. I urge the two Houses to approve the Equalisation Fund regulations speedily so as to facilitate the operationalisation of the Fund.

(Applause)

Hon. Speaker, since their establishment in 2013, county governments have sought to introduce various new fees or service charges, or to raise existing ones. If left unchecked, this situation can have detrimental effects on county revenues in the medium term, particularly if they drive away business and investment.

In order to promote a conducive business environment and ensure compliance with Article 209 (5) of the Constitution, a clearer response is needed, as well as better coordination and a well-defined framework for regulating business activity throughout the country. Towards this end, the National Treasury has issued guidelines for drafting County Finance Acts. I urge counties to adhere to the guidelines. To complement these guidelines, the National Treasury will begin consultations with all key actors with a view to introducing legislation aimed at coordinating the manner in which business activity is regulated throughout the country. In addition, there is an urgent need to review some business regulatory laws that impact negatively on businesses, such as the Environment Management and Coordination Act and the National Construction Authority Act, with a view to repealing or restructuring them. I look forward to receiving the support of all the concerned agencies in these reforms.

Hon. Speaker, before I move to the revenue measures to finance the planned expenditures, I wish to express our gratitude to Parliament for approving the Estimates of Expenditure submitted to this House. We have prepared the Financial Year 2015/2016 Appropriation Bill on the basis of the Certificate issued by the National Assembly. However, we will be engaging the House with a view of making necessary amendments to address a few emerging issues.

Hon. Speaker, allow me now to turn to the financial projections for the Financial Year 2015/2016 Budget. We are targeting revenue collection of KShs1,358.0 billion, which is equivalent to 20.8 per cent of Gross Domestic Product (GDP) and comprising ordinary revenues of Kshs1,254.9 trillion or 19.2 per cent of GDP and Kshs103.2 billion of Appropriations-in-Aid. This performance will be underpinned by on-going reforms in tax policy and revenue administration. The KRA is expected to institute measures to expand the revenue base and eliminate tax leakages. At the moment, KRA and the Government is automating and digitising most of the services and this will enhance collection and reduce revenue leakages.

Hon. Speaker, the expenditure in Financial Year 2015/2016 is guided by the Medium Term Plan II, covering year 2013-2017 of Vision 2030 under the Jubilee Administration Strategic Priorities. In Financial Year 2015/2016, overall expenditure and net lending are projected at Kshs2 trillion or 30.7 per cent of GDP. These includes Ministerial Recurrent and Development Expenditures of Kshs.784.2 billion or 12.0 per cent of GDP and Kshs721.3 billion, respectively; Kshs264.2 billion for the county governments, (including allocations for Level 5 and funding from DANIDA) and Kshs185.3 billion for interest payments; Kshs43.4 billion for pensions and Kshs3.2 billion for other Consolidated Fund Services (CFS).

Hon. Speaker, in the Financial Year 2015/2016, the Government has made it a priority to shift more resources from Recurrent Expenditure to Development Expenditure as required by the Public Finance Management Act, 2012. As a result, Recurrent Expenditures are projected to decline from the estimated figure of 16.4 per cent of GDP in Financial Year 2014/15 to 15.5 per cent of GDP in Financial Year 2015/2016. The ceiling for Development Expenditure, including foreign aid financed projects and excluding net lending, amount to Kshs716.3 billion in Financial Year 2015/16, including Parliament and the Judiciary. Most of the outlays are expected to support critical on-going infrastructure programmes in roads, the Standard Gauge Railway (SGR), ports, energy and security, among others. Part of the Development Budget will be funded by project loans and grants from development partners, while the balance will be financed from domestic resources.

Hon. Speaker, reflecting the projected expenditures and revenues, the overall fiscal balance, including grants (amounting to Kshs73.4 billion) is projected at Kshs570 billion, which is equivalent to 8.7 per cent of the Gross Domestic Product in Financial Year 2015/2016. Excluding expenditures related to the SGR, the overall deficit would decline to Kshs426 billion, which is equivalents to 6.5 per cent of the GDP. The fiscal deficit in Financial Year 2015/2016 will be financed by net external financing of Kshs340 billion or about 5.2 per cent of the GDP and Kshs229.7 billion or 3.5 per cent of the GDP of domestic financing. Thus, the overall fiscal deficit is fully financed.

Hon. Speaker, the Government's borrowing plan remains anchored in the Medium-Term Debt Strategy Paper, which aims at ensuring public debt sustainability. The strategy envisages continued borrowing from domestic and external sources with the latter being largely on concessional terms. While external financing will be largely on concessional terms, the Government will continue to diversify financing sources by continuing to access commercial sources of financing in the international financial market.

Hon. Speaker, as hon. Members will recall, last year, our debut Sovereign Euro Bond was received with a lot of enthusiasm by foreign investors, once again underscoring the confidence that foreign investors have in our economy. Going forward, we intend to continue sourcing those types of funds, including from export credit agencies and syndicated loans.

I would like to assure hon. Members that non-concessional external borrowing will be undertaken in a cautious manner and limited to bankable projects, and will broadly be within the ceiling in the Medium-Term Public Debt Strategy Paper. This will ensure that our total public debt will remain sustainable over the medium term. In addition, the Government will ensure that the level of domestic borrowing does not crowd out the private sector given the need to increase private investment and accelerate economic expansion. A cautious approach will also be adopted in the issuance of external Government loan guarantees and the use of the Public Private Partnership framework for funding infrastructure in order to minimise the level of contingent liabilities.

Hon. Speaker, the rest of my Statement highlights the various tax measures I intend to introduce through the Finance Bill, 2015, and other miscellaneous amendments I have tabled in this House, which are intended to accelerate growth, create employment and ease the cost of living for Kenyans.

Hon. Speaker, the Tax and Miscellaneous Measures I have proposed are categorised under the following broad areas:-

- Facilitating private sector growth to accelerate industrialisation and creation of jobs;
- Promoting equity and fairness;
- Deepening tax administration reforms to ease compliance and reduce the cost of doing business; and
- Encouraging growth and stability of the financial sector.

Hon. Speaker, I will start with facilitating private enterprise growth for job creation.

Last year, I committed to introduce measures to encourage corporate entities to engage fresh graduates and other students leaving colleges in acquiring relevant experience and skills through internship and apprenticeship programmes. Therefore, in this Budget, I propose to introduce a tax rebate scheme for employers who shall engage and train at least 10 fresh graduates or students leaving technical colleges for a period of six months to 12 months. I urge employers and the business community to take up this opportunity and help us build a resource base of skilled manpower. In addition, all training levies which are currently being charged will be consolidated into a National Job Fund to benefit youth initiatives such as on-the-job training and attachments in order to enhance skills development.

Hon. Speaker, the growth of the film industry has a huge potential to attract and nurture Kenyans' talents and position this sector as a key driver of economic growth and employment creation. To enable this latent industry to attain a competitive advantage like the rest of the leading film production destinations and create jobs for our youth, I propose to exempt from Withholding Tax all payments made by foreign film producers to actors and crew members. In addition, VAT in respect of goods and services purchased for use in the film making will be exempt. Over and above this, I propose to set up a fund for rebating of expenses by producers in this industry. The modalities for implementing this measure will be worked out shortly.

As we promote fishing and aquaculture, the demand for fishing nets is on the increase. Therefore, to encourage local manufacturers of fishing nets, I have provided for importation of nylon yarn and synthetic twine used in the manufacture of fishing nets under the duty remission scheme at a rate of zero per cent instead of 10 per cent.

(Applause)

In addition, imports of made-up fishing nets will attract duty at a rate of 25 per cent instead of 10 per cent to protect local manufacturers of fishing nets.

Hon. Speaker, most of our sugar factories are on the verge of closing down due to the competition from cheap imported sugar. In order to protect our sugar industry, I have increased the specific duty rate on imported sugar from US$200 to US$460 per metric tonne.

(Applause)

The *ad valorem* rate remains 100 per cent of the customs value. This measure will cushion the sugar sector from unfair competition and enable our local factories to break even and pay the farmers promptly.

Paper and paperboard products have been subject to a stay of application of the Common External Tariff (CET) at the rate of 25 per cent. This has made paper and paperboard products more expensive for the packaging industries and other users of the products. In order to lower the cost of paper and paperboard products, I propose to withdraw the stay of application of CET on paper and paperboard products and make them subject to duty at the rate of 10 per cent according to Common External Tariff.

Hon Members are aware, the East African partner States apply different export duty rates for raw hides and skins, thereby encouraging smuggling of those goods. In order to deter those smuggling activities, the Ministers for Finance have agreed to harmonise the export duty rate on hides and skins at 80 per cent of the FOB value or US$0.52 per kilogramme, whichever is higher. The harmonised rate will be implemented during the 2015/2016 Financial Year.

Kenya is the sole manufacturer of plastic tubes for packaging tooth paste and cosmetics in the region. In this regard, I have negotiated for an increase in the import duty rate on plastic tubes for packaging toothpaste and cosmetics from 10 per cent to 25 per cent in order to protect our local manufacturers. It is expected that the local manufacturers will increase the production of plastic tubes while, at the same time, maintaining quality.

Pasta is a popular foodstuff increasingly being consumed by many families in the region. Surprisingly, that basic food item is not manufactured locally. Therefore, to encourage investors to produce pasta locally and reduce over-dependence on imports, I have provided for importation of semolina, the raw material for making pasta, under the EAC duty remission scheme at a rate of zero per cent instead of 25 per cent for gazetted manufacturers of pasta.

The consumption of illicit brew has become a serious social problem in the country. However, there exists potential for the manufacture of safe drinks using locally available agricultural products. This will have the twin benefit of providing safe alcoholic drinks as well as promoting agricultural products for our farmers. In this regard, the proposed Excise Bill grants the Cabinet Secretary for the national Treasury power to grant remission of excise duty in respect of beer or wine made from sorghum, millet, cassava or any other agricultural products, excluding barley that is grown in Kenya. I, therefore, urge our farmers and the beer manufacturers to take advantage of this incentive not only to create wealth, but also to contribute to a healthy nation.

Kenya is the leading manufacturer of aluminium milk cans in the region. Currently, imported aluminium milk cans are taxed at 10 per cent. In order to encourage increased local production, we negotiated to import aluminium milk cans at 25 per cent instead of 10 per cent to cushion our local manufacturers against cheap imports.

The importance of infrastructure in the attainment of our development strategy cannot be over-emphasized. As Hon. Members have noticed, the Government has heavily invested in the infrastructure development, particularly the road network. In order to further scale up the existing road network, I propose to increase the Road Maintenance Levy by Kshs3 per litre to be collected and paid into the Road Annuity Fund.

During the pre-budget consultative meeting held in Arusha on 11th April 2015, the Ministers for Finance agreed to remove gas cylinders from the exemption regime. In exchange, the import duty rate for the cylinders was reduced from 25 per cent to 0 per cent. Considering that Kenya is the only manufacturer of gas cylinders in the East African region, I negotiated to import gas cylinders at a rate of 25 per cent instead of 0 per cent to protect our local manufacturers.

Our people in rural areas suffer serious indoor pollution and associated respiratory diseases occasioned by fossil fuel and firewood for domestic cooking. To encourage use of clean and affordable biogas energy system for cooking and lighting to rural households, I propose to exempt VAT on plastic bag biogas digesters for use in the sector.

Hon. Speaker, through the Finance Act, 2014, services to goods in transit were exempted from VAT. The change affected the case of cross-border transport services provided by Kenyan transporters in the regional market, making Kenyan transporters less competitive. In order to encourage and sustain growth in this sector and also to harmonise the treatment of those services across the region, I propose to zero-rate services in respect of goods in transit.

As part of our industrialisation strategy and Vision 2030, the Government has prioritised the development of industrial parks targeting the small and medium-size enterprises in five selected locations of Nairobi, Nakuru, Kisumu, Mombasa and Eldoret, to provide infrastructure facilities to our investors. I, therefore, propose to exempt from VAT taxable goods and services for use in the construction of the infrastructure works in industrial and recreational parks of 100 acres or more. This measure is expected to make it attractive for both foreign and local investors to set up those parks in Kenya and create jobs for our people.

The use of ICT in schools remains a key priority of the Government that is meant to enhance primary school education. In order to encourage investments in local assembling of the electronic devices, I propose that inputs imported or purchased locally for the assembly of those devices be exempted from VAT.

I have continued to receive representations from the private sector on the need to introduce measures to make it cheaper and competitive for them to conduct business in East Africa. I have, therefore, lowered the Import Declaration Fee (IDF) from the rate of 2.25 percent to 2.0 percent as a demonstration of the Government's commitment towards harmonisation of IDF in the East African Community (EAC) region.

Hon. Speaker, I now move to measures of promoting equity and fairness. To equip our prisons and ensure criminals are secured away from society, we agreed to include prison authorities in the exemption schedule to enable them import for their official use duty free goods, materials, equipment and other supplies. This inclusion will enable our prisons to enjoy similar exemption status as the Kenya Defence Forces (KDF) and Police.

The law provides for zero-rating of passenger and personal effects including one motor vehicle to a returning resident of Kenya who is changing residence. Given that Kenya operates right hand motor vehicles, returning Kenyan residents with left-hand motor vehicles cannot enjoy this and hence it is perceived to be unfair, inequitable and discriminative. Accordingly, I propose to amend the Value Added Tax (VAT) law to allow such returning residents who have owned the left-hand drive motor vehicle for, at least, 12 months to sell the motor vehicles and import VAT and duty free a right hand motor vehicle of equivalent value subject to specified conditions.

Over the recent past, residential and rental business has witnessed substantial growth. On the contrary, rental income from the same has not grown commensurately. I propose to simplify the taxation regime for landlords owning residential property by taxing their gross rental income at 12 per cent for gross rental income for those below Ksh10 million per year. In addition, I propose to introduce a tax amnesty for landlords who have not fully declared rent or are outside the tax net. In this respect, the landlords with tax arrears are advised to prepare to engage the Kenya Revenue Authority (KRA) to clean their tax records.

The potential of our gaming industry to create gainful employment and generate revenue for the Government and private sector remains untapped in our country. To promote growth of this sector and enable it to play its role in encouraging innovation, creating employment and driving growth, I propose to re-introduce a simplifying gaming tax which shall be a direct charge on the gross gaming revenue. I also propose to tax public lotteries at 5 percent of the lottery turnover and tax bookmakers at 7.5 per cent of the gross betting revenues. Similarly, all prize competition whose costs of entry are premium shall be taxable at 15 per cent of the total gross revenue. I will also introduce amendments requiring the appointment of technology providers as withholding agents for purposes of remitting 15 per cent of revenue raised through lottery into a fund to be established under the Public Finance Management Act, 2002 in furtherance of the objectives of the concerned sector.

Hon. Speaker, I now move to the measures of deepening Tax Administration Reforms to ease compliance. After our Customs Law became part of the East African Community Customs Management Act in 2004, the Excise Duty Legislation remained under the Customs and Excise Law. This change necessitated the introduction of a simple and modern stand-alone Excise Bill incorporating international best practice. I can confirm that this Bill is being tabled in this House after undergoing public participation as required by the Constitution and Statutory Instruments Act.

In this simplified and modern Bill, we are imposing excise duty to compensate for harmful effects caused by production, supply, consumption and use of goods and services which costs are not directly reflected in their prices. Therefore, through this Bill, we are introducing a new tax based on units of quantity only. As such, the Bill imposes a charge on:(i) sticks of harmful cigarettes and tobacco; (ii) volumes of harmful alcoholic beverages and sugar sweetened beverages consumed; (iii) volume of polluting fossil fuels and age of motor vehicles purchased; and (iv) weight of environmentally damaging plastic bags.

Hon. Members will note that based on the above principles and objectives, all classes of fossil fuels will be taxable upon enactment of this law to safeguard the environment, reduce tendencies for adulteration and assure equity. We are complementing these measures by investing heavily in extending electricity connection to every household and providing incentive for use of cheaper, safer and cleaner bio-fuels in cooking stoves. In the same vein, I have proposed a marginal increase of excise duty rate on alcoholic beverages to reflect the current effective rates after adjusting for inflation.

I have, in addition, converted the current hybrid tax regime for cigarettes into a specific one and changed the taxation of motor vehicles and motorcycles into a regime based on classes of age, in accordance with the principles and objectives of the Bill. To address the challenges of environmental degradation caused by careless disposal of plastic bags, I have enhanced the excise duty on non- bio-degradable plastic to Kshs120 per kilogramme. However, I am pleased to inform Kenyans that all bottled water will, upon enactment of this law, not be taxable. Similarly, all other goods that have no harmful effects hereto taxable under the Customs and Excise Act will not be taxable under the new law. I expect to raise additional revenue amounting to about Kshs25 billion from the various measures underpinning the new Excise Duty Law. I, therefore, urge Hon. Members to consider prioritising this Bill for debate along with other Bills that I am tabling before this House.

Current tax procedures are contained separately in each tax law. The best practice worldwide is to have all procedures which are general and applicable to all tax laws under one law. In the spirit of tax modernisation in Kenya, I propose to introduce the Tax Procedure Bill which will contain uniform procedures across the three tax legislations, that is VAT, Excise Duty and Income Tax. The Bill is aimed at simplifying tax administration which, at the same time, will reduce the cost of compliance.

As I committed in last year's Budget Statement, we have now commenced the review and modernisation of the Income Tax Act, which we expect to complete by the end of September 2015.The finalisation and subsequent enactment of this law will mark the end of our review and modernisation of the various tax legislations which began in 2011.

The VAT Act, 2013 provides for payment of refund in cases where the input tax exceeds the output tax and the Commissioner is satisfied that such excess arises from making zero rating supplies. The Act, however, does not provide timelines within which a taxpayer entitled to such a refund may lodge the claim. I have proposed an amendment to the law to provide that the claim for such refunds shall be made within12 months from the date the tax became due and payable.

Last year, we reviewed the taxation of the extractive industries. However, the review provided for separate tax treatment for training services and contractual fees for petroleum and the mining sectors bring disharmony in taxation of the sector. In addition, the review also introduced different tax treatment with regard to withholding tax on training services and contractual fees.

Hon. Speaker**,** I propose to amend the Income Tax Act to harmonise the tax treatment in this industry at the Withholding Tax rate of 12.5 per cent and 5.6 per cent for training and contractual services, respectively.

We also reinstated the Capital Gains Tax last year so as to allow property and share owners to make their fair contribution to the Exchequer. However, the implementation of the law has faced some challenges in some sectors of the economy. In order to address those challenges and ensure enforceability and compliance, I propose to remove the 5 per cent tax on capital gains arising from sale of shares and introduce a 0.3 per cent Withholding Tax on the transaction value of the shares.

In order to incentivize the shipping sector, I hereby propose to reduce the ships qualifying for investment deduction from 495 tonnes to 125 tonnes and to increase the rate of investment deduction from 40 to 100 per cent.

Investors are allowed to carry forward losses without Treasury's approval up to the fifth year. I propose to extend this period to 10 years considering that there is heavy investment expenditure by some power producers, manufacturers and hotel operators.

After Customs Law become part of the East African Community Customs Management Act in 2004, and coming up with a stand-alone Excise Bill, it was found necessary to have a Miscellaneous Fee and Charges Bill to cater for levies which were anchored in the Customs and Excise Act, Cap 472 yet to be repealed.

For continuity in collection of the Railway Development Levy, Import Declaration Fees (IDF) and Export levies imposed on hides and skins, it is imperative to introduce the Miscellaneous Bill, which will be the legal instrument to empower the Commissioner of Customs to collect the aforesaid levies.

On encouraging growth and stability of the financial sector, Vision 2030 targets the creation of an international financial centre able to attract international investments and participants in the financial services arena. In addition, Kenya needs to have strong well capitalized financial institutions which are not only able to participate in financing the large projects envisaged in the Vision, but that are also well capitalized to withstand financial shocks and crisis.

In this regard, I am proposing to increase the minimum core capital requirement for banks, mortgage finance companies and insurance companies. For banks, I propose to increase the minimum core capital progressively from the current Kshs1 billion to Kshs5 billion by December 2018. For insurance companies, I propose to increase the minimum capital to Kshs600 million for general insurance and Kshs400 million for long term insurance business by June 2018.

Our financial sector regulators have all adopted the risk-based supervision model in line with best international practice. To facilitate compliance with this supervisory model, I propose to remove the requirement for annual licensing of banks and instead empower the Central Bank of Kenya (CBK) to issue non-renewable perpetual licences. The CBK will continue to monitor banks using the risk-based approach and to carry out inspections on periodic basis while retaining the powers to withdraw the licence at any time. This will eliminate the need for repetitive annual application procedures while still safeguarding financial stability.

Similarly, for the insurance industry, in addition to increasing the minimum capital requirements, I propose to introduce risk-based capital requirements to be determined by the specific risk profile of the company.

The investment provisions in the Insurance Act are rules-based and are not in compliance with international core principles of insurance supervision. I am, therefore, proposing to move to a more principle based investment framework where insurance companies will be required to prepare and submit investment policies and will be subject to broad prescribed investment guidelines. This investment framework will bring the insurance industry in harmony with the framework already pertaining in the retirement benefits and collective investment sectors.

Whereas over 25,000 agents have qualified for award of Certificate of Proficiency (COP) which is a requirement for licensing as an insurance agent, we only have 5,000 agents licensed by the Insurance Regulatory Authority (IRA). This is partly as a result of an oppressive requirement that agents must be recommended by an insurance company before they can be licensed. In order to expand insurance penetration, I propose to remove this requirement and allow IRA to license agents so long as they have attained the COP and met other licensing requirements.

Real Estate Investment Trusts (REITs) and Asset Backed Securities (ABS) are investment vehicles that offer companies alternative sources of raising capital. In order to ensure tax neutrality with other forms of debt, I propose to exempt asset transfers and other transactions related to the transfer of assets into REITs and ABS from Stamp Duty.

Retirement benefits schemes should be able to diversify their investments into new emerging investment vehicles in the capital markets in order to optimize returns to members. I, therefore, propose to create a new category in the Retirement Benefits Investment guidelines to allow schemes to invest up to 10 per cent of their assets in private equity funds and venture capital funds licensed by the Capital Markets Authority (CMA). I, however, propose to introduce in all classes of assets, except Government securities, a per issue limit of 15 per cent of assets and per issuer limit of 15 per cent of issue in order to mitigate potential risks.

The distribution of surplus in defined benefits schemes is often a contentious matter and scheme members often do not benefit from the surplus, which only accrues to the employer. I, therefore, propose to amend the retirement benefits regulations to provide clear provisions as to treatment of the surplus, whereby, the employer will enjoy a contribution holiday in cases of on-going schemes, but in case of winding-up or scheme conversion, the surplus is to be shared equally between members and employers.

To improve governance of retirement benefits schemes, I propose to introduce term limits such that trustees can only serve a maximum of two terms of three years. I also propose to reduce the period for preparation of annual audited accounts for retirement benefits schemes from six months to three months to ensure expeditious accountability to members.

To strengthen the supervision of deposit-taking Sacco societies by the Sacco Societies Regulatory Authority (SASRA), I am proposing to amend the Sacco Societies Act to allow SASRA to undertake vetting of directors and key officers of those Sacco's. In addition, I propose to extend the current information sharing framework for Sacco's from the current inter-Sacco sharing of negative information, to also allow sharing of positive information as well as sharing with other financial institutions.

In order to strengthen the fight against terrorism and money laundering, I am proposing amendments to the Proceeds of Crime and Anti-Money Laundering Act, in order to clarify the objectives of the Financial Reporting Centre (FRC) and strengthen its supervisory role. These changes are in line with the recommendations of the Financial Action Task Force (FATF) and will help improve our international rating following our removal from the FATF watch list in June 2014.

The Government is aware that some Kenyans hold their wealth outside the country. To encourage those Kenyans to bring back their wealth, we are working on a mechanism to facilitate them bring back their money to support their investment activities in Kenya to help build the nation. Specific details on this initiative will be worked out shortly.

It has come to our attention that the Consumer Protection Act, No. 46 of 2012 is posing challenges with respect to the interpretations of its applicability to loan agreements between public entities and our development partners.

In order to address this challenge, I propose to amend the Consumer Protection Act to exempt Credit Agreements between public entities and our Development Partners from the provisions of the Act.

The scrutiny by this House, through the Committee on Delegated Legislation, of statutory instruments issued by the Executive and regulatory bodies is very welcome as it is meant to ensure that such instruments serve the interests of the Kenyan people. However, it is my considered view that such scrutiny should not extend to routine administrative actions such as guidelines, orders, directions, and forms. I am, therefore, proposing an amendment to the Statutory Instruments Act limiting the definition of statutory instruments to be laid before the House to include regulations, rules, by-laws and tariffs. This will relieve this House from the scrutiny of administrative issues.

In conclusion hon. Speaker, this Budget demonstrates our resolve and concerted efforts to create a prosperous and inclusive country for all Kenyans. It focuses on implementing key development priorities outlined in our economic transformation agenda. The budget aims to secure the lives and property of citizens of this great country Kenya from the emerging and ever evolving insecurity facing us. This budget allocates enormous resources to the security organs for both the police and military modernization. Tourism recovery remains our key objective given its potential to create jobs and employment of our youth and women. We target to improve on efficiency and roll out systems that will enable us to save public resources so that Kenyans can get value for their money.

We are firmly behind the efforts by His Excellency the President to decisively deal with corruption that benefits a few individuals instead of the country.

(Applause)

In preparing the Budget, we consulted Kenyans as demanded by the Constitution and the Public Finance Management (PFM) Act, 2012. I wish to assure Kenyans that through this Budget, we intend to address all the concerns raised during the consultative forums. The focus of this Budget is on pro-poor growth and sustainable development guided by Vision 2030 so as to generate jobs and wealth for our citizens.

The implementation of this Budget requires the collective effort of all Kenyans. I, therefore, urge hon. Members and Kenyans at large to join us in building the Kenya we want. A prosperous Kenya, a Kenya in which we all aspire to live in.

I wish to thank my Cabinet colleagues and their Principal Secretaries (PSs) who collectively own this Budget and the programmes to be implemented. My sincere appreciation also goes to His Excellency the President and His Excellency the Deputy President for their guidance and support during the Budget process. I also thank the Leader of the Majority Party in the National Assembly, hon. Aden Duale, for his relentless support to get most of the legislative proposals on finance matters passed through the house.

(Applause)

I appreciate Members of the Budget and Appropriations Committee as well as the Departmental Committee on Finance, Planning and Trade, Committee led by Hon Mutava Musyimi and Hon Benjamin Langat, respectively, for the constructive engagements throughout the year on Budget and financial matters. I thank the Departmental Committees of the National Assembly and the Senate for the valuable inputs into this Budget; members of the Intergovernmental Budget and Economic Council (IBEC) and Senate Committee on Finance and Economic Affairs for vibrant discussions on Budget allocations to counties; management and staff of the National Treasury for commitment to excellence in the public service and the long hours they have put to ensure that this Budget and the supporting documents meet the constitutional deadlines.

(Applause)

I further thank the management and staff of the Central Bank of Kenya (CBK) and Kenya Revenue Authority (KRA) for their contributions; and finally, all Members of the National Assembly and Senate for their cooperation and support.

My gratitude goes to Kenyans from all walks of life for their contributions and encouragement.

God Bless You, God Bless Kenya. I thank you.

(Applause)

ADJOURNMENT

Hon. Speaker: Hon. Members, it is time to adjourn the business of the House. The House stands adjourned until Tuesday, 16th June 2015 at 2.30 p.m.

The House rose at 5.50 p.m.