

NATIONAL ASSEMBLY

OFFICIAL REPORT

Thursday, 28th June, 2007

The House met at 2.30 p.m.

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

PRAYERS

COMMUNICATION FROM THE CHAIR

POWER FAILURE IN PARLIAMENT BUILDINGS FOLLOWING MISUNDERSTANDING BETWEEN NCC AND KPLC

The Temporary Deputy Speaker (Mr. Khamasi): Order, hon. Members! I have a Communication from the Chair.

My attention has been drawn to what appears to be a misunderstanding between the Nairobi City Council (NCC) and the Kenya Power and Lighting Company (KPLC) Limited regarding the issuance of cable trenches excavation permits for the underground cable repair works, which I understand the KPLC is unable to maintain their service to their customers within the Nairobi Municipality boundary, and in particular repairs to cables supplying power to the main Parliament Buildings and Continental House.

Indeed, on 20th June, 2007, the General Manager and Chief Executive of the KPLC informed me in his letter, Ref. KPLC2/6AG/7/4/CM/PM, dated 20th June, 2007, that the cable supplying the main Parliament Buildings and Continental House had already failed and the supply depended on an alternative routing from Development House. He further stated that any force on the alternative cabling would result in power black-out in this institution.

This was vindicated yesterday at around 2.35 p.m. when the entire buildings of Parliament experienced power failure which the KPLC has not reinstated until now. Our generators have been running since then. Hon. Members, this state of affairs cannot be allowed to continue, particularly when the matter at dispute is between two Government bodies.

I am, therefore, asking the Minister for Energy and the Minister for Local Government to urgently address the matter and ensure that a permanent solution is arrived at. In the meantime, I am requesting hon. Members to bear with us should they experience power shortage, as I believe that the power generators will not run continuously without a break.

Thank you.

QUESTION BY PRIVATE NOTICE

GOVERNMENT'S ISSUANCE OF US\$70 MILLION

INTERNATIONAL BOND

Mr. J. Nyagah: Mr. Temporary Deputy Speaker, Sir, I beg to ask the Minister for Finance the following Question by Private Notice.

(a) Could the Minister confirm that the Government is in the process of issuing an international bond abroad to raise US dollars 70 million?

(b) How much will it cost and when will it be issued?

(c) How will the money be utilised?

The Temporary Deputy Speaker (Mr. Khamasi): Where is the Minister for Finance? Mr. Vice-President and Minister for Home Affairs, do you have something to say?

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Temporary Deputy Speaker, Sir, I only want to make a plea, that you exercise your discretion to allow this Question to come again because I am expecting either the Minister or his Assistant Minister to come.

The Temporary Deputy Speaker (Mr. Khamasi): I am sorry, Mr. Vice-President. Questions under Private Notice do not come twice. We only read them out once. So, I will defer this Question until Tuesday next week.

(Question deferred)

ORAL ANSWERS TO QUESTIONS

*Question No.210*SUPPLY OF ELECTRICITY TO MUTARAKWA
DIVISIONAL HEADQUARTERS

Mr. Kimeto asked the Minister for Energy;

(a) whether he is aware that Mutarakwa Divisional Headquarters in Sotik Constituency has no electricity; and,

(b) when he will connect the divisional headquarters and the public schools within its environs with electricity.

The Minister for Energy (Mr. Murungi): Mr. Temporary Deputy Speaker Sir, I beg to reply.

(a) Yes, I am aware that Mutarakwa Divisional Headquarters in Sotik Constituency has no electricity.

(b) The installation of electricity under the Rural Electrification Programme is undertaken on the basis of recommendations from the District Development Committees (DDCs). So far, no recommendation has been received from the Bomet DDC regarding the installation of electricity to Mutarakwa Divisional Headquarters.

The Government is, however, considering a request from the hon. Member regarding a list of projects he submitted to us. Mutarakwa Divisional Headquarters is one of the listed projects.

Mr. Kimeto: Mr. Temporary Deputy Speaker, Sir, let me thank the Minister for the answer he has given. I want to thank him for considering my application, which I have already submitted to him. When will the work be done?

Mr. Murungi: Mr. Temporary Deputy Speaker, Sir, we have forwarded the list of the projects, which were submitted by the hon. Member, to the KPLC for assessment and survey so that we can know how much they will cost. As soon as I get a response from them, we will authorise commencement of the work at the Mutarakwa Divisional Headquarters.

Mr. Midiwo: Mr. Temporary Deputy Speaker, Sir, I want to commend the Minister and the

Ministry for, at least, trying to do some good planning. However, throughout the whole country, particularly in Nyanza Province, there are a lot of planned works which we have been told have been awarded to the same contractors. This means that there is a shortage of contractors and we keep on awarding contracts to the same ones.

Could the Minister kindly enlighten the House on what he is doing to alleviate the problem of contractors? Our fear is that, as we head towards elections, all the good works which the Minister has initiated will stall and the money will disappear into the hands of a few contractors.

Mr. Murungi: Mr. Temporary Deputy Speaker, Sir, it is true that we have planned a lot of projects in Nyanza Province. In fact, we are spending over Kshs2 billion in Nyanza Province. We are using labour and transport contractors. Some of the contractors have not performed very well and we have recently concluded an exercise in which we have retired some of them and we have appointed 150 new contractors.

The reason why some of the projects are not moving as fast as they should---

(Mr. Kenyatta was applauded as he entered the Chamber)

The Temporary Deputy Speaker (Mr. Khamasi): Order, hon. Members! Mr. Minister, continue!

Mr. Murungi: Mr. Temporary Deputy Speaker, Sir, the reason why some of the projects not only in Nyanza, but also in the rest of the country are not moving as fast as we expected, is because there has been a shortage of some critical accessories like cloisonne. We had a meeting with the Kenya Power and Lighting Company (KPLC) yesterday and we streamlined that issue. So, we expect work to commence everywhere in a very short time as soon as those accessories arrive.

Mr. Omamba: Mr. Temporary Deputy Speaker, Sir, we have a similar situation in Uriri Constituency at the divisional headquarters. What plans does the Minister have with regard to the supply of electricity to divisional headquarters countrywide?

Mr. Murungi: Mr. Temporary Deputy Speaker, Sir, Mr. Omamba should be aware that we have a very ambitious Rural Electrification Programme, which covers the entire country. We expect to connect all public institutions in this country to electricity within the next three years. We expect to connect all the divisional headquarters, secondary schools, health centres, boreholes and other public institutions to electricity.

Mr. Temporary Deputy Speaker, Sir, we are giving priority to district and divisional headquarters. Indeed, if the hon. Member's divisional headquarters is not on our list, he should come and raise the matter with me and I will make sure that some work starts there.

Mr. Kimeto: Mr. Temporary Deputy Speaker, Sir, as I continue to thank the Minister, I would like to request him to accelerate the speed at which he is erecting electricity poles in my division to enable children in my area to know the difference between an electric post and other posts. He should do this before elections take off later this year.

Mr. Murungi: Mr. Temporary Deputy Speaker, Sir, I would like to inform the hon. Member that, well before the elections, there will be electricity poles, conductors and the necessary items to connect this division headquarters to electricity.

Question No.297

SHORTAGE OF IRE TEACHERS
IN NAKURU SCHOOLS

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Mirugi! He is absent! His Question

is dropped!

(Question dropped)

Question No.291

TABLING OF LIST OF AFFILIATE
COLLEGES OF PUBLIC UNIVERSITIES

Mr. Mukiri asked the Minister for Education:-

- (a) whether he could table the list of affiliate colleges established by each public university; and,
(b) what measures he has taken to ensure that standards are maintained.

The Assistant Minister for Education (Dr. Mwiria): Mr. Temporary Deputy Speaker, Sir, I beg to reply.

(a) There are no affiliate colleges of public universities in Kenya.

(b) The Ministry has got adequate measures in place to ensure that standards in public universities are maintained and even improved, including the Commission for Higher Education, which has been accrediting private universities. We are recommending from now on that, that mandate also includes public universities.

Each university has got a comprehensive internal mechanism of ensuring quality through the Senate. They will not start any new programmes until the Senate has sat and approved programmes that have to be started in any new institutions where universities have campuses. External assessors from other universities within the country, and from outside the country, are used.

Public universities also have affiliate campuses with whom they have set up programmes, but they are not considered as colleges until they have been set up through the normal procedures like the ones that were announced by the Minister about two months ago. I have a long list which I could table before the House.

Mr. Mukiri: Mr. Temporary Deputy Speaker, Sir, the Assistant Minister is blowing cold and warm water at the same time. He has said that there are no affiliate colleges, but he has called them campuses. He has said that he has a long list of the said affiliate "campuses".

The Assistant Minister knows that, at present, universities have established so many affiliate campuses, or whatever he is calling them. You will find one university with mushrooming "kiosks", which they are calling colleges---

(Loud consultations)

Mr. Temporary Deputy Speaker, Sir, could you, please, protect me from the hon. Members?

The Temporary Deputy Speaker (Mr. Khamasi): Could we have some silence over there?

Mr. Mukiri: Mr. Temporary Deputy Speaker, Sir, universities are opening affiliate campuses to attract more finances because the Government is not funding them. Could the Assistant Minister tell us how many campuses have been established in the last two years?

Dr. Mwiria: Mr. Temporary Deputy Speaker, Sir, having campuses or institutions that you are collaborating with does not in itself mean that you have a college. A college is like when you talk about Egerton University with the Kisii University College. These are university colleges. Colleges or high schools with which universities are affiliating are many. I agree with the hon.

Member. I have a long list for Moi University which shows that there are eight middle level colleges and six campuses that are offering university programmes with them. Egerton University has three affiliate colleges.

I will table the list which is quite long. Loreto Convent, Msongari, is affiliated to Jomo Kenyatta University of Agriculture and Technology. This list is available. Universities have opened up departments in institutions with whom they collaborate and offer university programmes.

It is true that there are questions about the extent to which you can be sure about the quality of those institutions. We hope that once the Senate has approved them, and it has done everything possible to see that the institutions have, at least, the minimum facilities to offer a particular course, they should ensure that those students do their final programmes with the universities.

So, it is true that there are many affiliate campuses and we are also concerned. That is why we are saying that, from now on, the Commission for Higher Education should be the one to determine not only whether or not a campus should be started, but also whether universities should just go ahead and open some programmes with any institution they like.

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

Dr. Rutto: Mr. Temporary Deputy Speaker, Sir, concerning the standards, the Assistant Minister has clearly said that the Ministry keeps hoping that the Senate will check on the standards. I would like him to explain, specifically, what his Ministry is doing to check and ensure that the various Senates check on the standards. Secondly, what has the Ministry done to improve the capacity of the Commission for Higher Education to check on the standards?

Dr. Mwiria: Mr. Temporary Deputy Speaker, Sir, in a sense, Dr. Rutto has answered his second question by talking about the Commission for Higher Education improving the standards. The universities, as we know, are autonomous. We have an interest, as Government, to ensure that even though they are autonomous, they offer quality and acceptable education because, in many ways, the Government is accountable. It puts resources into the universities.

In addition to that, we are saying that this autonomy can only be measured. This is why there is a Commission for Higher Education, which is like an intermediary body between universities and the Government. The Commission for Higher Education has been previously just concerned with private universities. But we are acknowledging the fact that with the expansion of public universities, there are many questions about quality, even in some of the public universities.

Therefore, from now on, the recommendation is that the Commission for Higher Education also checks on those standards. I agree with Dr. Rutto, that we need to do more by way of expanding capacity. We are already doing this. We are exploring ways of expanding the capacity of the Commission for Higher Education by providing more resources and also giving the Commission a higher mandate to the extent that it would be acceptable by public universities, which has been a problem. The Secretary of the Commission for Higher Education is often below the rank of the vice-chancellors. So, to expect a vice-chancellor to be accountable to the Secretary is a problem. We are also working on the legal mechanism to ensure that accountability is possible for the Commission for Higher Education to have much more teeth than is currently the case.

Mr. Nderitu: Mr. Temporary Deputy Speaker, Sir, this Question is very rich and the Assistant Minister is going round it. Notwithstanding universities, in every village, there are mushrooming computer colleges. I know that is not in the Question. On a wider scope, there are mushrooming driving schools and that is why we are having quite a number of road accidents.

However, what is the Assistant Minister doing to curb the mushrooming of all these colleges within the country, so that we can have some standards?

Dr. Mwiria: Mr. Temporary Deputy Speaker, Sir, as you will appreciate, that

supplementary question is outside this particular Question. The hon. Member is asking about colleges, which are set up by organisations that are completely independent of the Government. It is private entrepreneurs who are doing this. I am concerned like every other Kenyan, about the fact that there are many institutions of poor quality that are coming up all over the place.

Mr. Temporary Deputy Speaker, Sir, one way of ensuring that standards are maintained, although this is not a question for the Ministry of Education, we do not support those kind of institutions. We have a responsibility as parents to ask what kind of institutions we are sending our children to. The first thing we should do is to check the quality of the institution. A lot of us are not doing that. So, we let unscrupulous business people set up institutions all over the place, including private secondary schools and universities. It is going to be very difficult for the Government to control that; or specifically the Ministry of Education.

Mr. Temporary Deputy Speaker, Sir, what we have suggested, though, is that we need to set up a co-ordinating unit, that would be an umbrella body for all the Ministries that have institutions that conduct some training in the country. If we can have such a co-ordinating unit that would be some kind of a clearing house, then it would be possible for us to check the standards of any new institutions that are being started, irrespective of which Ministry they would fall under.

Mr. Mukiri: Mr. Temporary Deputy Speaker, Sir, we need to see universities engaging more in research and other intellectual development issues. What the Assistant Minister is saying is not correct because the Commission for Higher Education does not have the capacity to check on the standards of these colleges. Nowadays, every university is establishing an affiliate college in the backstreet and they are offering diplomas and degrees. If we leave this issue to the Senate to decide, they will continue establishing more of these "kiosks" which they are referring to as campuses. Could the Assistant Minister consider funding the universities properly? If you leave the Senates to decide on this matter and yet they know that they have a problem with their budgets, they will continue establishing these colleges. Could the Government intervene and fund universities and also come up with a policy to limit the number of campuses that each university can establish?

Dr. Mwiria: Mr. Temporary Deputy Speaker, Sir, first of all, I think it would be inaccurate to say that universities have opened "kiosks". Secondly, the hon. Member has said that we know the Senate will not be interested in checking the standards of these colleges and that is why we should get the Commission for Higher Education to do that. I have said that we made this recommendation through Sessional Paper of 2005 through the inspection report of the universities. We will ensure that the Commission for Higher Education is strengthened to also evaluate standards in our public universities.

Mr. Temporary Deputy Speaker, Sir, we must also come to terms with the fact that it is the same Members of Parliament who are always complaining that we have 680,000 students who are meant to join university, but we can only admit 10,000. Obviously, the best way is not to have institutions that are not of any quality. The same hon. Members have said that a lot of our students have gone to Uganda to low quality institutions. We should see how we can strengthen the institutions that we have got, given that we have this dilemma of what to do with the many Kenyans who cannot find places in our universities. The way to do it is to strengthen what we have started and see how else we can establish other institutions that can expand the opportunities even more. I do agree that we must get the Commission for Higher Education to evaluate standards in all universities and not just private universities.

Question No.122

CRITERIA FOR PROMOTION
OF POLICE OFFICERS

The Temporary Deputy Speaker (Mr. Khamasi): I have been advised that Mr. C. Kilonzo is out of the country. This

Question is deferred until Thursday next week.

(Question deferred)

Question No.312

HARASSMENT OF KENYAN SOMALIS BY
TANZANIAN IMMIGRATION OFFICERS

The Temporary Deputy Speaker (Mr. Khamasi): A similar fate befalls the Question by the Member for Ijara. The Question is deferred until Thursday next week.

(Question deferred)

Question No.360

SHORTAGE OF MAGISTRATES
IN BONDO/SIAYA/UKWALA COURTS

Mr. Midiwo asked the Vice-President and Minister for Home Affairs:-

- (a) whether he is aware that there is only one magistrate to hear cases before courts in Bondo, Siaya and Ukwala;
- (b) whether he is also aware that Kodiaga prisoners have not been taken to attend court sessions for some time now due to lack of fuel;
- (c) whether he is further aware that as a result of the above situation prisoners have been causing unrest at the prison; and,
- (d) what urgent steps he is taking to arrest the situation.

The Vice-President and Minister for Home Affairs (Mr. Awori): Mr. Temporary Deputy Speaker, Sir, I beg to reply.

This Question originally went to the Judiciary because the appointment of magistrates or assigning them has nothing to do with the Ministry. Nevertheless, I will attempt to reply.

(a) Bondo Law Court is served by one Resident Magistrate. Siaya Law Court is served by two magistrates of the rank of Acting Senior Principal Magistrate and Resident Magistrate. Ukwala Law Court is served by one Resident Magistrate. So, as you can see it is not that it is one magistrate who serves all those courts.

(b) There is no time that prisoners have not been taken to court from Kodiaga due to lack of fuel.

(c) There has not been any unrest at Kodiaga Prison due to non-production of prisoners to the court since the prison has never failed to produce the prisoners to any court.

(d) An adequate number of vehicles and enough fuel have been provided by the Government to facilitate production of prisoners to the courts.

Mr. Midiwo: Mr. Temporary Deputy Speaker, Sir, this Question was asked as a Question by Private Notice before Parliament went on recess because of the serious situation which existed in Siaya and Bondo Districts as regards court cases. I want to tell the Vice-President that we, as leaders and residents of Siaya and Bondo Districts, wish that what he is saying was true. It is

common knowledge that they post to our district, incompetent magistrates or magistrates who have failed in other districts. In Siaya for example, the mention of a case can take six months because there is one magistrate who doubles up for the ever absent magistrate in Bondo and the ones who are ever absent in Maseno and Ukwala. Could the Vice-President kindly ensure that we get an adequate number of magistrates and that the one who is a drunkard and incompetent, who is currently in place, is transferred so that our people do not languish in jail for petty crimes which can be sorted out by payment of a Kshs100 fine?

Mr. Awori: Mr. Temporary Deputy Speaker, Sir, very serious allegations have been made about the conduct of the magistrates in Siaya, Bondo and Ukwala. I think it is necessary that the hon. Member produces evidence of drunkenness and carelessness concerning the magistrates who are located in those areas. Otherwise, I think he had better desist from tarnishing the reputations of legal officers.

Mr. Muite: Mr. Temporary Deputy Speaker, Sir, during a visit to one of the prisons by Committee on Administration of Justice, one of the prisoners who had been on remand for over seven years talked about a magistrate they had nicknamed "Mandela". This is because every time these prisoners complained about the length of time they stayed in remand without their cases being heard, the magistrate would say: "Have you been inside there for as long as Mandela?" That is why they nicknamed the magistrate "Mandela". What steps is this Ministry taking to consult with the Ministry of Justice and Constitutional Affairs, the Attorney-General and the Judiciary to reduce the population of remand prisoners who constitute over 60 per cent of the inmates in our prisons? Are there any consultations going on in order to come up with strategies to hasten hearing of the cases to reduce the population of remand prisoners?

Mr. Awori: Mr. Temporary Deputy Speaker, Sir, indeed, I am very concerned about the number of inmates in our prisons. Our prisons were designed to hold 16,000 inmates. Currently, we have nearly 48,000 inmates and out of these, only about 20 have been convicted. The rest are indeed, remandees. There are many factors involved in having that large number of inmates. The first one is the question of the legal officers. Sometimes the magistrates do not use the channels that are available such as the question of Community Service Order.

Secondly, there is a shortage of probation officers who would help the magistrate to reach a decision of using the Community Service Order. Finally, the number of magistrates is much less than it should be. It is necessary that the judicial system is now computerised so that both the magistrates and judges listen to the pleas and let the proceedings be automatically recorded. When we reach that stage, I am quite sure that the number of inmates will be drastically reduced.

Mr. Midiwo: Mr. Temporary Deputy Speaker, Sir, this is a serious Question and we would like to get a positive response. Two weeks ago, Kodiaga prison was televised and Kenyans could see how overcrowded it was. They showed the prisoners in Kodiaga living with foreign roommates, that is cockroaches and rodents. So, no reform has reached there. Their biggest problem is that Kodiaga Prison is overcrowded with people who are waiting to be fined for peddling *chang'aa*. The reason why they keep being thrown into that prison is because the magistrates are constantly absent. What steps is the Vice-President taking to decongest Kodiaga Prison?

Mr. Awori: Mr. Temporary Deputy Speaker, Sir, I have answered that question.

Question No.373

OWNERSHIP STATUS OF OLORIEN RANCH

Maj-Gen. Nkaiserry asked the Minister for Tourism and Wildlife:-

(a) whether he is aware that the Government made an undertaking two years ago to resolve the issue of ownership of Olorien following a request by the rightful

owners through their Member of Parliament; and,

(b) whether he could resolve the matter by compensating the rightful owners, namely Kiboko Group Ranch at the current monetary value or by returning the piece of land to them.

The Minister for Tourism and Wildlife (Mr. Dzoro): Mr. Temporary Deputy Speaker, Sir, I have had a discussion with the hon. Member regarding this Question. Due to the importance attached to this Question, we have agreed that I go down to the community level to try and resolve the matter amicably.

The Temporary Deputy Speaker (Mr. Khamasi): Maj-Gen. Nkaisserry are you in agreement?

Maj-Gen. Nkaisserry: Yes, Mr. Temporary Deputy Speaker, Sir. We spoke with the Minister, but this is a very serious matter. Could the Minister give an undertaking to this House as to when he wants us to go to the ground and see the local people so that we can resolve this issue?

Mr. Lesrima: On a point of order, Mr. Temporary Deputy Speaker, Sir. This Question belongs to the House! They cannot go out and agree among themselves regarding the Question!

The Temporary Deputy Speaker (Mr. Khamasi): Order! This Question belongs to the House and there was a Questioner. It did not come here out of nowhere. We need to get guidelines from the Questioner. The Minister has given an answer and I will request him to say what he thinks about the answer.

The Minister for Tourism and Wildlife (Mr. Dzoro): Mr. Temporary Deputy Speaker, Sir, in two weeks time, I will go down to the community.

Mr. Sambu: On a point of order, Mr. Temporary Deputy Speaker, Sir.

The Temporary Deputy Speaker (Mr. Khamasi): Sorry, Mr. Sambu, let Maj-Gen. Nkaisserry respond to that.

Maj-Gen. Nkaisserry: Mr. Temporary Deputy Speaker, Sir, could he give a specific date in two weeks time, so that I can tell the people to be ready that the Minister and myself will be coming to resolve that matter.

Mr. Sambu: On a point of order, Mr. Temporary Deputy Speaker, Sir. Once a Question is put here, it is the property of the House and we do not mind what the solution will be, which includes visiting. But the answer should be given. Otherwise, it looks like there is some cover-up. They do not want to answer because they are covering up something! They should answer and then agree as to the solution to go and handle it on the ground. But the answer must be given!

The Temporary Deputy Speaker (Mr. Khamasi): Mr. Sambu, as far as the Chair is concerned, if the hon. Member who raised the Question is satisfied that by the Minister visiting the place, it will resolve the problem, the Chair has got no problem. So, Mr. Minister could you respond to Maj-Gen. Nkaisserry's query?

The Minister for Tourism and Wildlife (Mr. Dzoro): Mr. Temporary Deputy Speaker, Sir, as I said, 14 days from today's date.

The Temporary Deputy Speaker: That is the exact date.
Next Question by hon. Member for Karachuonyo.

Question No.376

COMMISSIONING OF WEST
KARACHUONYO WATER PROJECT

Dr. Awiti asked the Minister for Water and Irrigation:-

(a) whether he is aware that the giant West Karachuonyo water project is only partially operational;

(b) whether he is further aware that the two main lines to Got Oyaró Divisional Headquarters and the one leading to Homa Hills need to be reconstructed for area residents to benefit fully from the services; and,

(c) when the Minister will commission the project so that *wananchi* can get the services they have been longing for since independence.

The Assistant Minister for Water and Irrigation (Maj. Sugow): Mr. Temporary Deputy Speaker, Sir, I beg to reply.

(a) Yes, I am aware that West Karachuonyo Water Project which was commissioned in 1973 does not operate at full capacity due to frequent pipe bursts experienced at some sections of the aged pipeline. The clogging of the intake by the water hyacinth weed has also contributed to reducing the capacity of this water supply project.

(b) Rehabilitation works on one of the two main pipelines to Got Oyaró has been completed and the pipeline is operational, while rehabilitation of the other line is ongoing. Rehabilitation of the three-kilometre branchline to Homa Hills is also ongoing and is scheduled to be completed in two months time.

(c) West Karachuonyo Water Project was constructed over 30 years ago and comprises of old and damaged structures including the pipelines. Rehabilitation and augmentation of this water project is a continuous exercise which has been ongoing since the year 2000.

Dr. Awiti: Mr. Temporary Deputy Speaker, Sir, I want to take this opportunity to thank the Ministry for the work it has done on this particular project. Work has progressed very well because of the electricity which was installed. I would like to ask the Assistant Minister whether he has any plans to instal electricity in one of the rural water supply centres in Karachuonyo.

Maj. Sugow: Mr. Temporary Deputy Speaker, Sir, this financial year, the rehabilitation work on the project shall continue and where the local Water Service Board responsible sees it fit to increase the power supply, that shall be done. However, the project is continuing and, even this financial year, there is an allocation of Kshs2 million for the continuous rehabilitation of the pipeline and the general rehabilitation of the sedimental tanks.

The Temporary Deputy Speaker (Mr. Khamasi): Is there anybody else interested in the Question?

Dr. Awiti!

Dr. Awiti: Mr. Temporary Deputy Speaker, Sir, I would like to ask the Assistant Minister to consider allocating funds to instal electricity because most of the rural water supplies do not work if they are depending on diesel. I would also like to know who is determining the tariffs which people are paying for that water. Is the price affordable?

Maj. Sugow: Mr. Temporary Deputy Speaker, Sir, the tariff is determined by the Water Regulatory Board and it is a common tariff which is affordable within the framework of the national tariffs that we have put in place. As for the first one, we shall ask the Water Board responsible to look into it and assess how much it will cost and we shall consider giving money for that extra power supply to the project.

The Temporary Deputy Speaker (Mr. Khamasi): There are no further questions! We have come to the end of Question Time!

Next Order!

COMMITTEE OF WAYS AND MEANS

*[The Temporary Deputy Speaker
(Mr. Khamasi) left the Chair]*

IN THE COMMITTEE

MOTION

APPROVAL OF TAXATION MEASURES

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

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Chairman, Sir, I beg to move:-

THAT, the proposals relating to:-

- (a) Excise Duties;
- (b) Value Added Tax;
- (c) Income Tax; and,
- (d) Miscellaneous Fees and Taxes contained in the Financial Statement for the year of Account 2007/2008 be approved.

Mr. Temporary Deputy Chairman, Sir, His Excellency the President has signified his consent to this Motion.

May I start by thanking hon. Members for the contributions during the debate in the Committee of Supply over the policy aspects of the Budget Speech and I believe the same spirit will prevail as we get this second opportunity to discuss the tax proposals within the Committee of Ways and Means. After this, we shall be bringing the Finance Bill to the House where we shall then be discussing the detailed proposals in terms of the tax and all the other aspects.

Hopefully, we shall be passing the same into law for implementation. As Indicated in my Budget Speech, our economy has expanded from virtual stagnation in 2002 when it expanded by only 0.5 per cent to a high and sustainable rate of 6.1 per cent in 2006. However, to support and sustain this growth and achieve the desired goals that we have set for ourselves, there is need to work together as a nation. I, therefore, did appeal and continue doing the same to the hon. Members and to all Kenyans that its time we re-doubled our efforts, and united together for the sake of this year's theme which is: "Vision 2030 - Working Together, on the Path To Prosperity". This will be achieved through continued implementation of prudent economic policies and reforms.

The planned reforms will be completed by the various tax proposals which are before this House. These proposals have been made after a very careful evaluation of various alternatives and in broad consultation with the various stakeholders, either before or after the Budget. I do believe that they make a significant impact if they are supported and expeditiously implemented.

Mr. Temporary Deputy Chairman, Sir, the focus of our tax proposal this year is on promoting the business competitiveness and investment in addition to improving our tax compliance. I made various proposals under the Customs and Excise Act which include imposing of an Export Duty of 20 per cent or Kshs10 per kilogramme on used lead acid batteries. Basically, this will discourage the exportation of used batteries in order to protect jobs in the battery recycling plants. I have also proposed to exempt from Import Duty medical equipment imported by licensed hospitals to make medical services affordable to Kenyans as well as imposing Export Duty on raw hides and skins from 20 per cent or Kshs10 per kilogramme to 40 per cent or Kshs20 per kilogramme. This is to encourage local value addition in terms of availability of raw materials for our local tanneries and to create employment.

We have seen the revamping of local tanneries as a result of the measures that we started last year. We do hope now that, by extending this tax on exportation of raw hides, we will be securing the raw materials that are required for all the other tanneries to actually open up. Farmers, especially, in Arid and Semi-Arid Lands (ASALs) will now have a ready market, so that, eventually, one day, meat may well be a by-product of the cows, while hides and skins will be the primary product, because of the value that will have been added.

Mr. Temporary Deputy Chairman, Sir, also, to enhance the equity in taxation of all the

alcoholic beverages, again, based on the strength of alcohol and value, we have also proposed to adjust, first of all, the method of computation of duty, especially, on wines and spirits; by moving it from per proof litre, to per litre, which is what we can all see and touch; and, again, by converting it from what was the equivalent of Kshs200.40 per litre or 65 per cent, to Kshs280 per litre or 65 per cent. This, basically, translates to about Kshs70 per percentage of alcohol per litre, which, again, compares very favourably with the taxation within the region on beers and the other drinks.

Again, we also did adjust and simplified the wine regimes from Kshs54.65 to Kshs85 per litre, or 65 per cent, whichever is higher. Again, in order to discourage the importation of second-hand motor vehicle spare parts, which to a large extent have contributed to accidents on our roads-- - We know quite well the sources, age and quality of all those motor vehicle spare parts. Our people are paying through the nose, but getting very poor quality. Therefore, I did propose to impose 20 per cent excise duty on all imported used motor vehicle spare parts. Again, this is something that we have done in consultation with our colleagues in the region, in order to ensure that one country is not left behind and, as a result, spare parts come through one country and end up in the other countries through the *panya* routes.

Mr. Temporary Deputy Chairman, Sir, in order to reduce the cost of importation and make imported goods affordable to Kenyans, I did also propose to reduce the Import Declaration Fee (IDF) from 2.75 per cent to 2.25 per cent, for all goods that are imported from outside the East African countries, while no IDF will be charged on the goods that are imported from the East African partner states.

As regards the plastic bags and sacks, I did propose to impose an excise duty of 120 per cent, and also a ban on very thin plastic bags, which are about 30 microgrammes or whatever measure we use. I have also made some further amendments to this by giving the affected industries an extra 90 days within which to comply. All these measures are expected to protect our environment from further degradation, encourage the industrial players to devise environmental-friendlier bags for our shoppers and get back the good old *kiondos* and African baskets for use when shopping, instead of just relying on the plastics.

Mr. Temporary Deputy Chairman, Sir, under the Value Added Tax (VAT), I did propose various measures. Among them was the giving the Commissioner of Tax the powers to exempt some taxable suppliers, including lease-financing from the withholding system requirements, zero-rating of taxable goods and services supplied by registered by persons, for use in the construction or expansion of private universities, so that we can encourage more people to invest in private universities, for the benefit of our children's future. I also proposed to zero-rate such products as milk powder, again, to encourage the processing of excess milk into powder.

Mr. Temporary Deputy Chairman, Sir, I further did propose to impose some VAT on rental of non-residential buildings. This is a measure that we had to take, because we also needed to allow people who own these buildings to claim their dues, but they cannot do so without necessarily charging them. But we have also taken care of rental property by making sure that this measure does not affect the rental or residential buildings, which will remain exempted. In addition, all the small-scale landlords, again, will be left out of the tax, since the law will only apply to those landlords who earn in excess of Kshs5 million, as per the new guidelines on VAT, where we are, basically, looking at the turnover threshold of 5 per cent, without recourse to what was previously being considered as designated services, and were being subjected to VAT regardless of the turnover. Now, everything has to start from Kshs5 million, including the rent on those business premises.

I have also proposed to zero-rate taxable goods and services, that are supplied to specific projects for the construction of a minimum of 20 units of houses, that are done within planned development schemes, for the benefit of low-income earners. This is intended to encourage people

to invest in increasing the housing stock, especially, for some of the people living in the low-income areas. What we need is to get approval from the Minister for Housing, who will then prescribe that this scheme has now been approved for these purposes. We will then exempt them from VAT, which now means that the construction of those houses will be cheaper for either onward renting or re-selling to the low-income earners.

Mr. Temporary Deputy Chairman, Sir, to encourage the development and provision of affordable housing and shelter, I have also proposed to give industrial bidding allowance to persons constructing residential houses and buildings for rental purposes, again, for the low-income earners. What this means is that people will be able to recoup their investments over time, in addition to the rental income that will be coming in.

In recognition of the invaluable contribution by our senior citizens, I did also propose to exempt from tax the monthly pension that is granted to them. I have also proposed to invite all the citizens of the East African partner states to invest in the Nairobi Stock Exchange, as if they were Kenyans. They will earn dividends just as the Kenyans. They will only pay a withholding tax of 5 per cent. In addition, they will also be entitled to the same shares that are reserved during the Initial Public Offers (IPOs), as what was being reserved for Kenyans; for which we have also increased from 25 per cent to 40 per cent.

Mr. Temporary Deputy Chairman, Sir, under the miscellaneous amendments, I did propose to remove the public service vehicle licences charges for commercial vehicles that carry passengers and Class B and C licences. I also proposed to remove the so-called Transport Licensing Board (TLB) licences for vehicles that carry goods, so that people whose vehicles are only used for purposes of carrying goods, do not need to find time to look for the TLB licences, in order to be allowed to carry goods, whereas, there is no threat to members of the public. We will limit that, purely, for purposes of regulation of passengers.

Mr. Temporary Deputy Chairman, Sir, these measures, again, are expected to reduce the cost of doing business and encourage the expansion of economic activities, especially, in the transport sector. From the initial feedback that we are receiving, we know that the measures are being well-received. They have already started translating into cost reductions on transport.

Mr. Temporary Deputy Chairman, Sir, again, in order to encourage the strengthening of our financial system, including, merging of all the small commercial banks--- There are 43 commercial banks in the country. To encourage them to merge into strong financial institutions, which is required for an economy that is growing, I have proposed to increase the minimum capital for the banks from the current Kshs250 million to Kshs1 billion, to be paid over three years. The initial reaction that we are receiving about this measure is that the banks themselves are saying: "Why did you not even proposed Kshs3 billion, because Kshs1 billion is still too little?" The demand for money is so high. Indeed, the bank owners do believe that even the minimum capital of Kshs1 billion is still little!

Mr. Temporary Deputy Chairman, Sir, there is a correlation between a growing economy and a stable financial system which will come up with the strong banks. There is need to have a very strong back-up insurance sector. Right now, we are seeing people walking into the banks and coming out with unsecured loans. Therefore, it is only a stable insurance sector that will secure these loans. We do not want to see a situation whereby these loans are passed on to the future generations or people ending up with their houses being auctioned because of mishaps happening to them. As we increase the strength of the financial sector, then it becomes extremely important to also strengthen the insurance sector. After wide consultations, even with the insurance sector itself, we did agree that, perhaps, we needed to triple the capital requirements as they are. The capital base will range, say, from Kshs50 million to Kshs150 million, Kshs100 million to Kshs300 million and what is Kshs150 million will be Kshs450 million.

Mr. Temporary Deputy Chairman, Sir, we have also been very generous in terms of giving the banks and insurance companies three years to comply with this new capital requirement. However, the good news is that when you look at the banking sector in this country, probably over 80 per cent of our banks are already having capital over and above Kshs700 million. Therefore, within the first year they should have complied with the Kshs1 billion requirement. The few ones have already started getting into negotiations to merge. This is very good news for us. Hon. Members may recall that this House passed on the responsibility of oversight from the Treasury to the Central Bank of Kenya (CBK) in terms of licensing and supervising of banks. The CBK can only supervise so many units and give them quality time. We do believe that if we spread ourselves too thin, we will end up with sacrificing the quality of the supervision, which is not good for the stability of the financial system in the long term. By having a few banks, I see a position where at some point, in future, our 43 banks will, probably have reduced to between ten to 15 commercial banks.

Mr. Temporary Deputy Speaker, Sir, again, on insurance companies, we have moved from 40 to not more than 20 companies. We can have solid insurance companies with many branches and presence across the entire country and none of them being under threat of ever falling.

Mr. Temporary Deputy Chairman, Sir, the tax proposals we included in the Financial Statement, again, are intended for debate here. We expect to get the necessary feedback from the hon. Members. We will be looking at them, again, in detail in the Committee Stage. We will also be looking at them when we present them by way of the Finance Bill which will be debated here. We will go through them clause by clause. I believe what we are seeking today is further enrichment of the process by way of debating these proposals. By the time we come to discuss the Finance Bill, the House will have given its input which will be synthesised in the Committee Stage. Therefore, by the time we then pass the Bill, it is with a broad consensus of the House in terms of agreeing with us on the tax proposals that we need.

Mr. Temporary Deputy Chairman, Sir, what I need to reiterate is that these measures have been brought together through a huge consultative process that began last year. Various stakeholders came to us and basically requested us to look at "a", "b", "c" and "d". We looked through their angles and came up with what I call the best feet within the circumstances of looking at the wider picture of where our country wants to go within the framework of the Vision 2030. We want to convert this country from a low-income country to a middle-income country. We are already getting there. As I said, at the end of the incoming financial year, we will be looking at a Gross Domestic Product (GDP) of not less than Kshs2.05 trillion which, again, translates to just about US\$820 or US\$840 per capita GDP in terms of nominal GDP. The miraculous number we are looking for is by the year 2030 to have really built up that GDP per capita to not less than US\$4,000 per person which will move Kenya to a higher level within the middle-income countries.

The measures we have put here is part of preparing that pathway towards our journey to prosperity from poverty. I would like the House to debate these measures within that framework in terms of facilitating the country to move forward. We do not want to go back to recovery since we have recovered. We want now to start moving forward. The plane has taken off and what we need is to sustain it in the air for the benefit of our future and that of our children.

Mr. Temporary Deputy Chairman, Sir, I could go on and on, but I would like to give hon. Members time to air their views on these tax proposals. I would also like to listen to their input, so that, by the time we get to discuss the same in the Finance Committee, we will also have heard the input from the hon. Members. I know some of the hon. Members may have discussed this as they discussed the Budget Speech in the Committee of Supply. However, it does not do any harm to repeat the same because we will be here to listen to their contributions on these specific tax measures and take necessary action.

Mr. Temporary Deputy Chairman, Sir, I, therefore, would wish to then appeal to all the hon. Members again to support these proposals. Let us work together for the benefit of this nation. Let us work together knowing that it is only through ourselves and through these tax measures that we will liberate ourselves from over-dependence on our foreign partners. We would like to see them coming to us because they have seen we have done our bit rather than because we are desperate. I believe that Kenya has set the pace in Africa as, probably, one of the very few countries where the total grant component of our Budget is less than 5 per cent of the total expenditure. We are going to maintain this trend. I hope, in future, we will move from even receiving the grant to giving the grant to some countries within our neighbourhood.

Mr. Temporary Deputy Chairman, Sir, with those remarks, I beg to move and request the Minister for Energy, Mr. Kiraitu Murungi, to second.

The Minister for Energy (Mr. Murungi): Thank you, Mr. Temporary Deputy Chairman, Sir. I rise to second this Motion. This year's Budget has been hailed as a very reasonable Budget by Kenyans from all walks of life. The tax proposals which have been proposed by the Minister relating to Excise Duties, Value Added Tax (VAT), Income Tax and other Miscellaneous Fees and Taxes, which are the subject matter of this Motion, are part of that Budget and they are equally reasonable.

Mr. Temporary Deputy Chairman, Sir, I would like to urge my colleagues from both sides of the House to support these proposals. The key issue which has dogged this country since Independence - if one reads the speeches of Tom Mboya, this comes out very clearly - the question of economic independence. The issue of taxation lies at the hearts of both political and economic independence. The American independence was built on tax revolt at the Boston Tea Party. So, we should take these proposals very seriously. The Government of President Mwai Kibaki has been at the forefront of economic independence. I am happy to say that even when he was the Minister for Finance in the 1960s and 1970s, that is when the economy of this country was blossoming.

Mr. Temporary Deputy Chairman, Sir, currently, we are funding our Recurrent Expenditure from our own tax resources to the tune of 93 per cent. It is only 7 per cent which is funded from external sources. This, by all standards, is a commendable achievement and it should not go unnoticed. We should not say that we are not resource rich because we do not have oil or gas. Experience elsewhere shows that even countries like Spain, which are basically agricultural and service sector-based economies, can be independent and they are doing very well. There is no reason why we, as a country, cannot also stand on our own feet and start our development efforts from our tax resources. Kenyans should learn to pay taxes if they want to control their own destiny and if they want to fund their own development. Time has come for us to stand up because 40 years, or so, of reliance on the World Bank, International Monetary Fund (IMF) and other multilateral agency-driven development programmes, have shown that this will never remove Africa from poverty. Africa has to learn to use its own resources to develop itself.

Mr. Temporary Deputy Chairman, Sir, the Minister talked about our economy now growing at the rate of 6 per cent from almost negative growth rate only about five years ago. This Government has undertaken major development projects all over this country in a short span of less than five years. Roads are being rehabilitated everywhere in this country. Agriculture, the sugar sub-sector, dairy farming, maize and coffee farming, and livestock keeping have been revived. You can see signs of growth in all the sub sectors of agriculture in this country.

With regard to social development, our universal Free Primary Education Programme (FPEP) is hailed all over the world. Recently, Prof. Saitoti was being commended by UNESCO in Mali, only last week, because of our universal FPEP. We are now moving towards reducing the cost of secondary school education. Health facilities have been improved and there is a target on converting the youth from hopelessness to workers, employers or income earners in this country.

Mr. Temporary Deputy Chairman, Sir, the Kshs2 billion for women has now stirred the private sector. You have seen the Equity Bank coming up to merge with the Kshs5 billion fund for the Women Enterprise Development Fund in this country.

I think our greatest development evolution as a country has been that innovation that we call the Constituencies Development Fund (CDF). In every village that we go to in this country, we are celebrated because of the CDF. There is a school coming up, there is a foot bridge, a bridge, a health facility and so on. Our people are properly utilising this money. We have, after many years of politics of confrontation, empty rhetoric and tensions, finally, settled for politics of development.

Mr. Temporary Deputy Chairman, Sir, about two weeks ago we were in Kipsigis. As the politicians were talking out there, I engaged one *mzee* in a chat and I asked him, "This time round, who are you going to vote for as your President?" The *mzee* looked at me. He did not mention any names, but he told me that he is going to vote for the milk price. I do not know who is the milk price. So, the message the *mzee* was giving is that this time they are going to vote for tangible economic benefits. They do not care what names we are called. I thought that was evidence of political maturity on the part of our people.

Mr. Temporary Deputy Chairman, Sir, I have myself said that I do not want to be judged by the length or the beauty of the speeches that I make. I do not want to be judged by the number of adjectives that I add to my speeches. I have said that I want to be judged by what happens on the ground. I want to be judged by the number of poles which my Ministry is spreading all over the country and extending connectivity of electricity to our people. At the end of the day, the people will not remember the quarrels that we had as Members of Parliament. Long after we are dead, the quarrels are going to be buried with us. However, the buildings that we put up and the services that we give these people are going to live forever. So, I think our focus, and that is why we are supporting this Motion, is that we should encourage our people to pay taxes. Let us build this country both for us and our children.

Mr. Temporary Deputy Chairman, Sir, I must say that wherever we go, we should also leave some good memories. Last weekend, I had a dinner in a hotel in Madrid, Spain. When some people there were told that I was from Kenya, they came and asked me about the Member of Parliament who speaks Spanish. They said that he had attended a lecture there some time back. "There was a Kenyan Member of Parliament who spoke beautiful Spanish." However, they could not remember his name. They went on to say, "You have very good Member of Parliament!" So, I kept on imagining who is this from our Parliament who can speak Spanish. At that moment, I could not remember. Later on, when I asked for the physical features of the person, I was told that the Member of Parliament has a beard. I then remembered that it is only Prof. Anyang-Nyong'o who could have spoken Spanish.

(Laughter)

Thank you, Prof. Anyang-Nyong'o. You left a very good impression for us in Spain and I had a drink or two in your name. So, *tunashukuru sana*.

Mr. Temporary Deputy Chairman, Sir, I would like to urge hon. Members to support these tax proposals. This is a great country. Thank you, and I beg to second.

(Question proposed)

Mr. Oparanya: Thank you, Mr. Temporary Deputy Chairman, Sir. First of all, I want to thank the Minister for Finance for having come up with very good VAT and Income Tax proposals. I want to thank him for the exemption of VAT on non-residential buildings income,

reduction of IDF from 2.75 per cent to 2.25 per cent, especially on goods imported from non-East African Community (EAC) countries and removing it completely on goods imported from the East African partner States.

I also want to thank the Minister for introducing the Industrial Building Allowance, especially on the low income earners although we will want the Minister to fix the threshold and also reduce or remove the Public Service Licence completely. I hope that with that measure, our public transport fares will go down. The other issue is the removal of tax on monthly pensions. The Minister should have looked at the lumpsum amount that is usually paid when one retires. He has limited himself to only the pension that is payable monthly.

Mr. Temporary Deputy Chairman, Sir, despite the good proposals made by the Minister, I have the following reservations. The first one is on the removal of Sugar Development Levy on all imported sugar for industrial use. Every year, the Minister helps coffee, tea and pyrethrum farmers, but he has always tried his best to frustrate the sugar-cane farmers. Last year, the Sugar Development Levy was introduced but its levying was transferred from the consumer to the farmer. Subsequently, an amendment was done on the Floor of this House. The Minister has not forgotten what he did last year. This year, again, he is removing Sugar Development Levy on all imported industrial sugar.

The Minister knows very well that since the Government has not helped the sugar farmers, they have been using the Sugar Development Levy for development of the infrastructure within the sugar sector, and even modernising the factories. I implore the Minister to make amendments, so that the status quo remains. Even local sugar companies sell the sugar that they produce here to some of these industries. So, it will mean that imported industrial sugar will be cheaper than that produced locally.

Mr. Temporary Deputy Chairman, Sir, as you know, water is a problem in the rural areas. People in the rural areas are forced to boil water before they drink it, because of the upsurge in water-borne diseases. The Minister has now introduced a levy of Kshs6 per litre of bottled water. Obviously, this makes bottled water more expensive.

Another issue I would like to talk about concerns cigarettes. This issue also arose last year. The world over, cigarettes are now being taxed based on ex-factory prices. However, the Minister has now introduced a tax, re-organising that industry. He is now taxing cigarettes using the characteristics of the cigarettes.

Uganda and Tanzania are using the ex-factory price as their tax base. This means that cigarettes in Kenya will be more expensive than in Uganda and Tanzania, and that will make smuggling possible. The prices of that commodity here being higher than in the two countries, and since we are in the same Customs Union with those two countries, cigarettes will be smuggled into Kenya from Uganda and Tanzania. That might kill our tobacco industry. Instead of the Minister raising the revenue he wants, his revenue will go down.

Mr. Temporary Deputy Chairman, Sir, the other issue is the introduction of 20 per cent Excise Duty on second-hand motor vehicle spare parts. I know that this measure has been introduced all over East Africa. However, the roads in Uganda and Tanzania are better than in Kenya. So, since we have not been able to rehabilitate our roads, it would have been better for the Minister to postpone imposition of the 20 per cent Excise Duty on imported second-hand motor vehicle spare parts until the roads are done.

Looking at the Financial Statement, the Minister has proposed to finance the deficit of Kshs116 billion by selling some shares in some parastatals. He is using capital receipts to finance a deficit. My question to the Minister is: If you are using capital receipts, what will happen in future when you have sold all the parastatals? How will you finance deficits in future? This is not the best way to finance Budget deficits.

Mr. Temporary Deputy Chairman, Sir, the Minister came up with quite a number of tax proposals in the last Budget. Unfortunately, he never explained how the tax measures he introduced last year enabled him to realise his revenue target, what were the shortfalls and how he managed to deal with those shortfalls. Year in, year out, we approve tax proposals but thereafter, we are not told how those proposals were implemented.

With those few remarks, I beg to support except for the reservations that I have mentioned.

The Vice-President and Minister for Home Affairs (Mr. Awori): Thank you, Mr. Temporary Deputy Chairman, Sir. I have got very few observations to make.

First of all, I would like to once again thank the Minister for the way he has crafted the taxation in all the taxes that are quoted on the Order Paper. My only observation is that we have a constituency called "people with disabilities". These are people who require various equipment which is not easily available in our country. We would like to equalise the position, so that, because they are disadvantaged due to the disabilities, they do not continue to spend very much more of their meagre income in order to bring themselves on the same level with people without disabilities.

I am talking mainly of people with physical disabilities, who need, for instance, motorised wheelchairs for movement. While there is a proposal in the taxation measures that there should be exemption, it is not entirely clear and, from time to time, whenever we have disabled people trying to import those items, it takes a very long time before officers at the Kenya Revenue Authority (KRA) can understand and give the exemption. By that time, sometimes, the demurrage charges have been levied to the extent that the advantage of getting the exemption is totally lost.

Mr. Temporary Deputy Chairman, Sir, it is not just the physically handicapped. We have people who cannot hear, who also need stuff that will help them to come to the same level as others. There is no very clear showing on how this exemption can be done. All we need is fine-tuning, so that whenever the stuff comes, it is exempted immediately, particularly that which comes as donations, some of it being second hand. I think we need facilitation to get it into the country easily.

Mr. Temporary Deputy Chairman, Sir, the other constituency that I would like to talk about is that of vulnerable groups such as orphaned elephants and rhinos. When they are orphaned, they need special formula which is not available here. It is available outside, and it has to be imported. From time to time, people who are looking after these orphans have had to call me, and I have had to go appealing to ensure that this formula is not taxed. These are things that need to be fine-tuned, so that they become automatic, so that there is no question of those who are importing in order to protect our wildlife. They do not need to go to someone to use influence, because we have been told that influence, sometimes, is called, in other words, "misuse of office", and before you know what is happening, the word "corruption" sets in. Let us be quite clear on these matters, so that there is no doubt on what our Government is doing.

Mr. Temporary Deputy Chairman, Sir, I want to thank the Minister for the allowance he has made for those who are developing houses for the low-income groups. We are involved in upgrading slums. What we need are big investors who should be doing more, not just the 20 houses that the Minister has talked about. It does not matter what the amount of money is, which the investor is putting in; it could run into billions. But as long as it is directed at low-income people, then this should fall in line with what the Minister has intended to do.

Mr. Temporary Deputy Chairman, Sir, those are the few observations that I thought I should make, since everything else in the taxation is all good; it is in agreement with the Budget.

With those few remarks, I beg to support.

Mr. Kipchumba: Thank you, Mr. Temporary Deputy Chairman, Sir. I also want to give my comments on the taxation proposals.

Mr. Temporary Deputy Chairman, Sir, I want to give my comment first on this IDF. This IDF reduction is really negligible; 2.75 to 2.25 is a very small figure. I wish the Minister, with the spirit he talked about, that he wants Kenyans to afford imported goods, he should just waive it completely. He should remove it all together.

Mr. Temporary Deputy Chairman, Sir, I want to applaud the Minister for removing duty on medical equipment. I think that is very encouraging. Many of our private hospitals have had a lot of problems importing medical equipment, which is very urgently required in our hospitals.

Mr. Temporary Deputy Chairman, Sir, while the Minister has given a duty exemption on hides and skins, in the same spirit, he should have done the same on wool. You are aware that many of our businessmen who have wanted to deal in wool for a very long time have been complaining. In the same spirit that we wanted to encourage value addition to hides and skins, I think the Minister should in future, or probably with certain amendments, ensure that wool is included in the exemption on hides and skins, because, after all, they play the same role.

Mr. Temporary Deputy Chairman, Sir, while I would ideally have no problem on taxation of bottled mineral water, it would be ideal that the Ministry of Water and Irrigation should have at this stage been issuing statements to all Kenyans that they can drink water from any tap in this country. In my big town of Eldoret, if you are there, do not bother to buy bottled water, because the water there is very clean. But we are afraid that there are certain parts of this country, where, if you drink water from taps, you might be taken straight to hospital. So, in the same spirit, we would want that specific Ministry, and the Kenya Bureau of Standards, to assure Kenyans. People drink bottled water, not because it is a luxury, but out of necessity. We have not been given assurance by Government that, indeed, all the water that runs in our taps, including in Nairobi, is quite safe. If today the Ministry concerned issues a statement that the water in Nairobi is quite safe, so that if something happens to you arising from your drinking of the same, then you can sue the respective department, then we can tax water to whatever level you can think of. But as long as we have not reached that level, it would be unwise for us to imagine that water is a luxury and, therefore, we can now tax it at will. I think that is something that the Minister must look at.

Mr. Temporary Deputy Chairman, Sir, on the issue of plastic bags, while we want to protect the environment, I do not imagine that very big plastic bags are a problem to anybody. I would want the Minister to consider that these big plastic bags are even used by many people as materials for carrying goods. Therefore, I would want him to tax only small plastic bags. But the big plastic bags are not a problem at all to our environment. Many of our people who cannot afford to buy bags use these plastic bags, which cost about Kshs3, to carry their loads. Therefore, I think we should be very specific that plastic bags that are of concern in this country are the small ones that are used and disposed of immediately. When you go to a Uchumi or Nakumatt Supermarket they will pack for you all your goods in a very nice plastic bag. In fact, you may not know that some of them are plastic bags, because they are well decorated. Therefore, I would want us to amend the taxation proposal to deal with only the size.

Mr. Temporary Deputy Chairman, Sir, on the issue of spare parts, somebody has said that it is an issue all over East Africa. If you go to western Kenya, many of our tractors and vehicles, especially those that do not go to town, use only second hand spare parts. I do not think they cause any problem on our roads. I think it is dishonest to say that old spare parts are unsafe on our roads. The problem of accidents on our roads is not as a result of spare parts. Accidents are as a result of other factors beyond spare parts. Therefore, I want the Minister to amend that. We need those spare parts. They are very useful to us. After all, many *Wazungus* use those spare parts for only two years on very good roads. They rarely drive their vehicles. So, when they sell them to us, we can use them for three years. I do not think that is of concern to anybody. The price is very pocket friendly. I do not know what motive the Minister had on that issue. He should explain that to us further.

Mr. Temporary Deputy Chairman, Sir, the Minister must be very specific on the issue of powdered milk. The powdered milk we are talking about should be the local one. If we will zero-rate imported powdered milk, then the cost of importing powdered milk will be cheaper. That will cause a problem to us because we produce milk locally. The Minister must be very specific. He must tell us that the zero-rating only applies to the powdered milk that is produced locally.

Mr. Temporary Deputy Chairman, Sir, I want to laud the Minister on the issue of pyrethrum. People who require pyrethrin all over the world have always wondered why a country like Kenya, which produced pyrethrum for a long time, cannot sustain the market. We have never been able to sustain the market. Pyrethrum farmers have not been paid for a long time. I am grateful that, this year, the Minister has factored quite some money in the Budget for that purpose. It is quite encouraging to farmers.

Mr. Temporary Deputy Chairman, Sir, on the issue of pension, especially for our senior citizens--- At one time, a delegation of old men came to my house. They were asking: "Why is our pension being taxed a second time?" Our pension is always a net income. To tax it again is being dishonest. If you look at the financial statement, you will realise that the amount of pension paid annually continues to go up. It grew up from Kshs19 billion in 2005, 2006 and 2007 to about Kshs23 billion this year. That situation cannot be allowed to continue. It will reach a time when this country cannot sustain paying pension to our people. I want to encourage the Minister to quickly, even before this House goes on recess, bring a Bill that will allow for contributory pension. That way, everybody can contribute towards a pension scheme and when somebody retires, his or her money will already have been invested elsewhere. I want to request the Minister to urgently re-look into that issue.

Mr. Temporary Deputy Chairman, Sir, finally, I want to talk about the issue of capital receipts. I raised that issue. If you look at the Financial Statement, there is an expectation that there will be capital receipts of Kshs44 billion to Kshs45 billion. If the Minister will be unable to sell Telkom Kenya, we will be creating another deficit of about Kshs45 billion. God knows what will happen if, at that level, you will be unable to sell that giant organisation and, therefore, create another loophole. That will be against another loophole that we are anticipating, and which we know the Minister will be unable to satisfy. I want the Minister to re-look the Financial Statement again. These figures will cause a lot of problems, if we cannot raise Kshs45 billion from the sale of Telkom Kenya. Last year, there was anticipation that the Government would sell Telkom Kenya.

With those few remarks, I beg to support.

Mr. M'Mukindia: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to make my contribution on the taxation measures that the Minister has proposed in his Budget Speech. Broadly, I will be supportive of the measures that he has proposed. I do not feel that they will become a major tax burden on the country. Therefore, it will be very kind and easy on the pockets of Kenyans. I commend the Minister for being ambitious and courageous enough to move forward in trying to achieve a better economy for our people.

Mr. Temporary Deputy Chairman, Sir, having said that, if you look at certain specific proposals, they raise certain queries. One of the things that the Minister wants to achieve is to promote business competitiveness and make imports, possibly raw materials, affordable. There is a proposal to remove IDF, for example, within the East African context. There is also the reduction of IDF from outside East Africa. I agree that, that will improve our competitiveness and make our manufactured goods and some of the imports affordable. Nevertheless, I propose that the Minister looks at the possibility of eliminating IDF in as far as imports of raw materials and capital goods are concerned, even if they come from outside East Africa. That would make our manufacturing sector more competitive. That is because whether we like it or not, the IDF is an indirect tax and it is always passed on to the consumer.

Mr. Temporary Deputy Chairman, Sir, I am very supportive of the Minister's proposal to make the East African Community (EAC) one "country", as it were. In that respect, his tax proposals on the ability to invest in Kenya by Tanzanians and Ugandans is very welcome. I think Kenya should take the lead in that respect. We should not wait for our partners to make the first step. I congratulate the

Minister for ensuring that other East Africans can do business freely in this country. Since we are in a better position than them economically, it is in our interest to be the first ones to take a step to promote inclusiveness of all other East Africans. That, obviously, includes Rwanda and Burundi. That will go a long way to deepen the EAC regional integration economically.

Mr. Temporary Deputy Chairman, Sir, I am also very supportive of the removal of taxes on medical equipment, and the proposal to also remove taxes on the setting up of universities. While that is a very positive move as far as university education is concerned, you will know that this country is in very short supply of engineers and technicians, especially in the area of ICT. We have also seen in the newspapers that the Communications Commission of Kenya (CCK) has now taken over the Kenya College of Communications Technology (KCCT). But that is only one opening. If a private sector person wanted to set up an equivalent of the KCCT, why should he or she be taxed when we know we have a major shortage of engineers and technicians in this country? To try to drive the economy that we are actually proposing, we need the manpower very urgently. The tax exemption should go beyond universities. It should extend to secondary schools, technical colleges and other professional colleges in the country. It did not go far enough. I think it can go far enough. Really, there is not much that the Minister will lose in terms of revenue benefits.

Mr. Temporary Deputy Chairman, Sir, in so far as the housing development is concerned, it is also a move in the right direction. How to manage that to ensure that it only applies to low income housing is a difficult issue. But I wish the Minister well in trying to find a formula to manage it in such a way that we do not lose revenue. Maybe, he should have gone further and tried to exempt the whole housing sector from taxation. That will not only have the impact of creating demand for affordable housing, but it will also go directly to our manufacturing sector. If you look at the housing sector, it touches on virtually every manufacturing sector. If you find a way of increasing the supply of housing, it goes down to the economy and touches virtually every development. Therefore, it will have a major multiplier effect on our manufacturing sector as well. Perhaps, if not this year, maybe next year - I am sure the Minister will be back to this House - he can try to ensure that we go further in linking the housing sector to manufacturing in this country.

Mr. Temporary Deputy Chairman, Sir, I also want to congratulate the Minister for reforms in the retirement benefits. I agree with Mr. Lagat that double-taxation is not fair to our citizens. The only area I have difficulties in is; I do not believe that second-hand spare parts cause accidents. I think that needs to be looked into because if that argument were correct, then we would have said that all second-hand motor vehicles should also be taxed at 20 per cent higher. To me, they represent a bigger risk to our people than small spare parts. I think in terms of principle, the two do not gel. Therefore, there is a problem there.

Mr. Temporary Deputy Chairman, Sir, I would like the Minister not to be misled by certain mandarins at the Treasury to take certain measures that reduce the effectiveness of his Budget. Overall, the Budget is wonderful. But when you put in something like that, people start wondering and asking questions which are totally unnecessary. Really I do not see the reason for it.

Mr. Temporary Deputy Chairman, Sir, if you look at the issue of batteries; it is a very good idea to put tax on battery exports. However, by the same token, why can we not ban scrap metal exports to promote our local industries? As you know, steel is very expensive to import. If the principle is to reduce export, then let it apply across the board.

(Applause)

Mr. Temporary Deputy Chairman, Sir, if you look at the issue of zero-rating tax on certain equipment, that is positive. However, if you are going to give the Commissioner of Income Tax the power to exempt certain taxable supplies, the question arises; are we going back to the bad old days when this could be opened to abuse? How do you police this, so that it is not abused.

Mr. Temporary Deputy Speaker, Sir, I also totally agree with Mr. Lagat that when zero-rating tax on milk powder, it should be specific to imported milk powder.

I welcome very much the zero-rating of tax on pyrethrum extracts, although this does not go far enough. As we know, it makes us look not very clever to the eyes of the world when we remove tax on imported pyrethrin and yet, tax our local pyrethrum extracts. This has been going on for a very long time. It is a contradiction. We are taxing our farmers and then asking the Americans to bring in their pyrethrin tax free. This is a correction that the Minister has made and I support it. However, I do not think this will help the pyrethrum farmers very much unless it is accompanied by a total reform in the sector through the long awaited Pyrethrum Bill. Indeed, I will ask the Minister; when is it going to come to this House before we all pack to go home by December this year?

Mr. Temporary Deputy Chairman, Sir, I also support the issue of hides and skins.

The issue that Mr. Oparanya raised regarding cigarettes can also be extended to liquor. These issues were with us here last year. Mr. Minister, you are aware of it. There seems there is somebody at the Treasury who seems to be misleading the Minister. There is no equity in the way taxation is applied to these three or four major locally owned manufacturing entities. Questions are being asked; why is the Minister targeting indigenously owned industries in this country for taxation? I am being honest with you! People are asking questions. Why are we favouring British American Tobacco (BAT) verses Mastermind Tobacco Ltd, or East Africa Breweries Ltd verses Keroche Industries?

With those few remarks, I beg to support but urge amendments.

Prof. Anyang-Nyong'o: Mr. Temporary Deputy Chairman, Sir, I hope the Minister listened very carefully to Mr. Kirugi M'Mukindia because I would have spoken word for word what he has been telling him. However, I want to ask a very fundamental question: What is the philosophy behind these taxation proposals? Mr. Temporary Deputy Chairman, Sir, it seems to me that there is a tension in these tax proposals between an expansionist economy and a shyness from supporting domestic production of factor inputs. We want to expand the economy, but we are very shy to support domestic production of factor inputs.

(Applause)

This is the basic tension here. Therefore, the Minister's taxation proposals are contradictory. Granted that the Economic Recovery Strategy (ERS) has largely succeeded minus certain very important measures which were not taken; which I do not want to go into now, for obvious reason-- But then, if the ERS has succeeded and we want to go beyond it, we must be as brave as *Nehru Mahalanobis* and get into a great leap forward. We cannot get into a great leap forward without being brave about supporting domestic production of factor inputs.

Mr. Temporary Deputy Chairman, Sir, we will not support domestic production of factor inputs, if we implement these proposals to tax second-hand spare parts. We are only going to expand domestic factor inputs if we invest in the spare parts industry. Rather than encouraging investment in the spare parts industry, we want somehow to protect the industry by penalising the import of spare parts. What, yesterday, I called *kalongolongo* economics. We are not going the big

way. We are only pretending to go the big way.

Mr. Temporary Deputy Chairman, Sir, we have the Numerical Machines Complex which was a major investment in this country. However, it has been lying idle for decades. It has a potential to support the general engineering in this country to produce spare parts. I would rather you had a taxation measure to encourage the rehabilitation of that facility rather than engage in some little spare parts coming from Tanzania, Uganda and I do not where!

Mr. Minister, you have to be brave and go a great leap forward in an expansionist economy with the support of the domestic production of factor inputs. That is the kind of thing that Mr. Kirugi MMukindia has been talking about.

Mr. Temporary Deputy Chairman, Sir, if there is anything to be protected from coming into this country, it should not be spare parts. It should be non-essential consumer goods. One of the reasons China is where it is today, is because under Mao, for a very long time, it reduced consumption. It stopped people from engaging in non-essential consumption. In China, they were very stiff, everybody was wearing the Mao tunic; which I am trying to introduce to this country, but very painfully. There was a reduction in the consumption of excessive wear. Now, that is the kind of thing that we need. Today, you go into the streets and find somebody selling some trinkets from China, of course, imported through Dubai. They are completely non-essential. They fill our supermarkets. We spend a lot of money on them, but when you look at their utility in encouraging the production of factor input in this country, nothing! I would rather we went that way than penalising an area of the economy which will not help us at all.

Mr. Temporary Deputy Chairman, Sir, the other thing that needs to be done in our Budget-- - The other day, you talked about investing in infrastructure. In my opinion, to rehabilitate roads in this country, as we said in the year 2003, you need Kshs101 billion and not Kshs66 billion. The amount of Kshs66 billion is peanuts. Again, that is why I call it *kalongolongo* economics because you are putting too little money in something that needs a lot of money. You could raise that money by encouraging build- operate-transfer and give tax rebates to those who can go into build- operate-transfer in rehabilitating infrastructure. That will be an expansionist economy. But at this point in time, there is too much shyness in taking taxation measures which will lead us to a great leap forward in this country.

The other important thing that I think the Minister could have done in these taxation proposals is in the rehabilitation of vital industries. I have already mentioned the Numerical Machine Complex (NMC). But if you go down the history of this country, once we were hit by the Goldenberg in the 1992, and we had to pay up to 86 per cent interest on Treasury Bills, not only did we have galloping inflation, but industries went crushing down in the Industrial Area. So many good industries in this country went berserk. Take for example the Imperial Industry of East Africa. It had a major industrial base for development in this country. It could not sustain its bank loans and it was closed down. The best thing we can do, if you are going to go beyond the economic recovery strategy into an expansionist economy, is to say: "Let us take taxation measures which lead to rehabilitation of vital industries in this country." Let me give you an example. The example is with regard to the measure to tax sugar by saying you will remove development levy on imported sugar destined to industries.

Mr. Temporary Deputy Chairman, Sir, let me inform you. Miwani Sugar Industry was the only industry in this country which produced white sugar for industrial consumption. But Miwani Sugar Industry went under because of corruption. Let us call a spade a spade! What it needs is only Kshs360 million to be rehabilitated. That is something that is worth doing if, indeed, it is going to be part and parcel of having factor inputs into our industrialisation. It is not a price too big to pay to produce industrial sugar domestically, rather than encourage industrial sugar coming from outside into the country and penalising sugar farmers by giving tax relief in the name of development levy

to those importing and yet, people down here are paying domestic development levy.

Mr. Temporary Deputy Chairman, Sir, we need the Sugar Development Levy to do three things. One, to support research in the sugar industry. Two, to finance co-generation in the sugar industry, both in terms of research and products to be produced. When I was the Minister for Planning and National Development, I took two managers of sugar factories to Cuba. The manager of South Nyanza Sugar Company (SONY) and the Manager of Chemelil Sugar Factory. I made arrangements with the Cuban Government so that they could go and see co-generation in Cuba practically, and how all kinds of by-products are made from sugar. We visited an industry which was producing all range of alcohol beverages. Then, we followed those alcohol beverages to where they were being used to manufacture pharmaceuticals in Cuba. Sugar is not only made from cane. Sugar can be manufactured from all kinds of sweet things. *Kila kitu kitamu, isipokuwa kile!* So, we need to understand that we can manufacture sugar from maize, rice, coffee, deep roots, bananas and all kinds of things. So, if we had a forward looking expansionist economy and want to build a strong sugar industry, we will not confine ourselves to cane sugar and, therefore, be very myopic on the kind of taxes we levy on things that come here destined for industrial sector. We would encourage the production of industrial sugar from other things, so that the economy as a whole can be sugar-based. Then, we shall understand that factor inputs in pharmaceutical could come from sugar.

Mr. Temporary Deputy Chairman, Sir, that is the kind of economy that we want in this country. If we are going to have this economy, then we have to have taxation regime that encourages that economy to grow. We must not be shy because the kind of measures that the Minister has put here in terms of taxation assume that the present economy is the one to be milked. He does not see the coming economy as the cow to be milked and, therefore, it should be encouraged to grow by certain taxation measures that encourage it to grow.

Finally, let me come to my third subject - infrastructure. I still hold the World Bank culpable for discouraging the Kenyan Government from building a dual carriageway from Mombasa to Busia, because of wrong assumptions on what needs to be done to build such an infrastructure. If those assumptions are being made here, they will keep us down. They will not make us make the great leap forward into an expansionist economy.

With those few remarks, I beg to support.

Mr. Khamasi: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me an opportunity to say a few things about the taxation measures that the Minister intends to put in place.

I would like to support what the previous speakers have said and in, particular, what Prof. Anyang'-Nyong'o has just said about industrial sugar. I believe the reasons we are being given are not good enough. I think the main reason, in my view, and that has happened in the past, is just to open up flood gates for the importation of white sugar by sugar-daddies under the guise of industrial sugar. That is the real reason! I think we must be on the watch out. The Minister must tell us exactly how he is going to protect sugar companies from importation of domestic white sugar.

Mr. Temporary Deputy Chairman, Sir, I want to say one or two things about a matter that nobody has touched on. Those are the proposed amendments to the Insurance Act. Last year, we made an amendment to provide cash and carry in respect of fire and motor vehicle insurance cover. The Ministers says he was very happy with it because it yielded dividends. He now wants to spread that to all forms of insurance covers. I do not think that is the way to go. That is denying many people from getting the necessary cover that they may want to buy. Effectively, what that means is to go across the counter, pay your premium and get a cover by either the insurance company giving you a cover note, or issuing you with a policy. Having been in that industry, I know what that is all about. The ordinary mwananchi who buys a vehicle worth about Kshs600,000, Kshs800,000 has to

pay across the counter a premium worth probably Kshs100,000. That money is not readily available. You are saying that, if that is not done, then somebody is breaking the law. Why is it necessary that we must put our insuring public at great pains to pay their premiums across the counter, when they can be able to negotiate with insurance companies to pay at reasonable rates and at reasonable periods to get the cover? I do not think this is necessary for the Government. It is between the insurance company and the insured. It is for them to agree on the mode of payment of the premium.

Mr. Ojode: I agree!

(Applause)

Mr. Khamasi: Mr. Temporary Deputy Chairman, Sir, it is not the business of the Government to regulate and come up with harsh conditions to make the insuring public suffer because of reasons which are untold to us.

If you look, again, on the same matter, at the Minister's Speech on those proposals, you will find that he is proposing to increase those paid-up capital for long-term insurance business from Kshs50 million to Kshs150 million.

The Temporary Deputy Chairman (Mr. Maore): Mr. Khamasi, please refer to the taxation documents.

Mr. Khamasi: On which documents, Mr. Temporary Deputy Chairman, Sir?

The Temporary Deputy Chairman (Mr. Maore): Are you referring to the Financial Statement or the Budget Speech?

Mr. Khamasi: I am referring to the Budget Speech, Mr. Temporary Deputy Chairman, Sir. I mean some of the proposals as contained in the Budget Speech.

The Temporary Deputy Chairman (Mr. Maore): No! We are looking at the taxation measures.

Mr. Khamasi: Mr. Temporary Deputy Chairman, Sir, do you mean I am now discussing something that is not relevant?

The Temporary Deputy Chairman (Mr. Maore): Yes, Mr. Khamasi, but you are welcome so far. However, go to the issue of taxation; Income Tax, the VAT, duties and the others.

Mr. Khamasi: Mr. Temporary Deputy Chairman, Sir, I thought I was looking at taxation proposals.

The Temporary Deputy Chairman (Mr. Maore): We are on the last pages of the Speech.

Mr. Khamasi: Mr. Temporary Deputy Chairman, Sir, then you have disorganised me.

(Laughter)

The Temporary Deputy Chairman (Mr. Maore): I think it is for the good of the House!

Mr. Khamasi: Mr. Temporary Deputy Chairman, Sir, I thought what I was saying is that some of the taxation proposals are not, actually, what we expected the Minister to come up with. For example, taxation on cigarettes. We know that goods being imported into this country from the East African Community partner states come in zero-rated. This will apply to goods like cigarettes, beer, *et cetera*, coming from those partner states into this country. If we make taxation heavy on manufacture of cigarettes, whatever brand they are, what happens with Kenyan or Ugandan businessmen in collusion with Tanzanian businessmen importing all manner of brands of cigarettes which come in duty free? How do we protect the industrialist here? Those are some of the things, I think, we need to look at very critically so that, at least, we are doing what is necessary to protect,

particularly the ordinary people here to do business.

The question of second-hand motor vehicle spare parts is a critical matter. My friends have argued their case very well, and I support them. I do not see why we should be very tough on our small businessmen who are in River Road, Kisumu or Kakamega, who import spare parts for repair of motor vehicles; make it very difficult for them. How are we helping the economy to grow? I believe this is not the way to go. It is very important that the Minister should look carefully at some of these taxation measures, to encourage the local entrepreneurs so that they can be in business and expand our economy.

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

Mr. Syongo: Mr. Temporary Deputy Chairman, Sir, once again, I want to reiterate my earlier statement that the measures that the Minister has taken are largely well thought through; and to a larger extent, he thought big as he should, given the current stage of our economic development. However, he then suddenly, as Prof. Anyang-Nyong'o said, started fiddling with small ideas instead of consistently thinking big, like I know he is capable of.

Let us take, once, again, the issue of the relief on the Sugar Development Levy (SDL) on imported industrial sugar. The Minister is encouraging importation of industrial sugar by lowering its cost. Secondly, he is favouring the products of the South African-owned Coca Cola Bottlers. The Minister has been at pains, and he is my friend, to suggest that he was protecting the local industries so that they do not migrate. I know he is a brilliant accountant. However, I have worked in the private sector, and particularly in the manufacturing sector. I can assure you that no industry will relocate because of a 7 per cent SDL tax on imported industrial sugar---It is such a minute cost of production! Only an insane industrialist will migrate to a neighbouring country because of that tax. Even more worrying is that he is reducing and distorting the relative competitiveness between soft drinks and fresh juices which do not have sugar additives. By doing so, he will make the soft drinks cheaper, relative to the price of fresh juices which have no sugar additives. That is a discouragement to our agro-processing and value addition which I know, when I was in the Ministry of Trade and Industry, was a key pillar of our industrialisation strategy for this country. I would have expected that, instead, he would have had an incentive regime for agro-processing, especially fresh produce and fresh juice processing.

Mr. Temporary Deputy Chairman, Sir, under Excise Duty measures, the Minister has proposed specific Excise Tax of Kshs6 per litre of drinking water. If you look at our neighbouring countries, especially to the north, this country has enormous potential to process water and export it. Since we can now bottle water, it is now an exportable commodity, which was never thought of 30 years ago. We are making an essential commodity, a source of life, more expensive for a consuming citizenry who presently, because of inefficiencies of municipalities and local authorities, have no access to clean and safe water to drink. Many times, you see our little children coming from school thirsty. Sometimes you pity them because you can see them drawing water from pools on the road side, rivers or taps which, definitely, contain unclean water. The idea should have been to help expand the local industry for cleaning up and bottling water for the domestic and export markets. I want to request the Minister to re-think that matter as we come to the Finance Bill.

Let me turn to the question of discouraging importation of second-hand spare parts to enhance safety of Kenyans on our roads by imposing a 20 per cent Excise Duty on all imported used motor vehicle spare parts. Do we have an alternative? Do Kenyans have an alternative in terms of locally produced spare parts? If there are, and I would like to believe that only specific spare parts are locally produced, I will be more than happy to support this measure, but specific to those that we are producing locally. But those that we still do not produce locally, they should not attract the 20 per cent Excise Duty. This is too much of an umbrella measure. I would like to appeal

to the Minister to re-look at the figures again and reconstitute the composition of that tax regime.

Mr. Temporary Chairman, Sir, with regard to the issue of VAT, the Minister proposes, in order to encourage the dairy farmers, to zero-rate the tax on powdered milk. I agree with him, but I think he should also address issues regarding the supply side. As my colleagues have said, he needs to be specific in terms of locally produced powdered milk. He also needed to go a little bit further and give incentives to milk processors who want to produce powdered milk by zero-rating the machinery and packaging equipment. I want him to think about that so that we deal with both the demand and the supply of the product.

Let me turn to the issue of cigarettes. I think my colleagues have talked well-enough about that. However, regarding the issue of filtered cigarettes, I have made remarks on it on two occasions. Although this may not fall directly in terms of the current tax measures, I would like to suggest that there should be a tax incentive regime involving import duty, VAT and even corporate tax.

We should promote the generation of renewable energy and encourage the use of solar, wind and mini-hydros to match the substantial and wonderful investment that the Government is putting on power distribution. It is a great measure. However, there is no power generation that can match that investment. A tax relief on power generation would have been ideal. Those who want to invest in renewable power generation facilities should have been given a tax holiday, duty-free and VAT free incentives, including those who wish to invest in setting up plantations for bio-fuels like sweet sorghum and geotroper. That should really have been captured in the tax measures.

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

Mr. Omingo: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me a chance to contribute to this Motion regarding the taxation measures that were proposed by the Minister for Finance. I am, actually, a tax man by training, and I will start from where it bites most. I did not hear the Minister propose a reduction on the general taxation in terms of Pay As You Earn (PAYE) where poor Kenyans suffer most. That is simply because the Minister has lost it all in terms of the use of the PIN system. It is also because the Minister, as somebody said, was so bold in his thinking, but reduced it by partnering with Master Trevor Kibet; "to just watch the economy grow as opposed to facilitating it grow through major reforms." Why am I saying that? It is because the taxation measures in terms of PAYE for the poor fellows who earn meagre salaries should have come down to encourage a bit of saving. When taxes are reduced, we encourage surplus funds to be invested for the purpose of development. I think that is where the Minister missed the point. It could have been very easy. If he had sought advice, I could have given it to him. We need to spread the tax base by using, effectively, the PIN system, by thinking outside the box as opposed to a traditional way of VAT bill-payer or the person on the payroll continues to pay year in, year out.

Having said that, Mr. Temporary Deputy Speaker, Sir, let me go back to what he has actually proposed. One issue that is quite an irritant to some of us who are in the sugar sector, is that he did not factor anything in terms of relieving debts, injecting some capital or writing-off debts in the sugar sector and, yet he went further to actually reduce or remove import duty on industrial sugar. Kenyans must wake up from this traditional thinking, that we are, actually, making a Budget for a particular interested group of people in the system. We know that the big sharks who are industrialists and who consume sugar are the patrons of the system, as we talk. It is high time that we walked out of budgeting for our friends and for the good boys as opposed to encouraging our farmers who suffer most in line with the cost of our inputs, and yet we are importing industrial sugar which is much cheaper than to what is manufactured locally.

I would like to move to the issue of the IDF. I liked the issue of the Minister reducing tax on the IDF by 0.5 per cent. However, that in itself gave a blanket exemption. I want to share the sentiments by hon. Prof. Anyang-Nyong'o that we must not give a blanket exemption to everybody.

We must remove tax only on what we essentially require to import and encourage people as opposed to giving a blanket exemption that makes even luxuries part of the reduction of cost. It is also important to note that the Government needs also to discourage, as Prof. Anyang-Nyong'o said, luxurious expenditure. This will reduce imports and what we are trying to do, essentially, is to reduce drain on foreign exchange because we know that we import using foreign currency.

There is the issue of duty on medical equipment. It is one thing to take a measure like this but it is also important for the Minister to ensure that, in terms of reporting procedures from the Ministries involved, this benefit is truly transferred to the consumers. More often than not, these reductions are meant to enrich, for example, the importers, through reduced cost but the effect of it is not transferred to the consumers.

Mr. Temporary Deputy Chairman, Sir, I want to go to the issue of cigarettes. To some extent, I want to encourage the Minister because in terms of thinking forward and backwards, if you prohibit smoking, inasmuch as you want to make money out of it, you are also reducing consumption of cigarette to the extent that the budget allocation for the Ministry of Health on smoking-related issues is reduced. This is one thing we must encourage. For the smokers, this was a fairly modest increase that needs to be streamlined further. In terms of the local effects, the Ministry of Health will save on the medical bills that go into it.

On the issue of second-hand vehicle spare parts, truly, it is an insult, to suggest - and I heard the Minister say this when he read his Speech - that it is second-hand vehicle spare parts that are a cause of deaths on our highways. They are not. The major cause of accidents on our roads is the poor state of our roads. The unfortunate thing is that those people who are supposed to address the issue of roads - I think each one of them has a chopper. They do not care because it is the common man who uses the roads. Some of them are still buying choppers and I know that the Minister could be enjoying one from where he is. Let us address the issue of our roads. Let us address the cause of road accidents as opposed to the symptoms. We need to address the issue regarding the state of our roads in order to reduce road carnage. We should not have an issue with used motor vehicle spare parts because as I said, those people who are well-to-do are the ones who can afford brand new cars. The majority of Kenyans, who are poorer than they were four years ago, cannot afford the luxury of brand new cars from the showrooms. I think this is in essence, a way of protecting the multinationals which are already operating today within the country. We need to understand the fact that the general population suffers in the hands of these exploiting multinationals.

Therefore, we want the Ministry to reduce it or remove it all together because we could shoot it down. This is one thing that we need to challenge and move forward. There is the issue of non-taxable pension. It is time that Kenyans appreciated what the Minister has done in this regard. We need to recognise the senior citizens who have given their all. That is an encouraging move to encourage those who have given us service so that we do not utilise that particular effort that they gave us to pay ourselves even after we failed to reward them. Ordinarily, pensions are meagre payments. So, to demand again tax from them is actually an insult to their services. It reminds me of an analogy of a sugar-cane chewer. If he or she chews sugar-cane and when the juice is over, you drop the remains. We do not want to treat our senior citizen like sugar-cane waste. We need to recognise their efforts.

Mr. Temporary Deputy Chairman, Sir, in as much as the Minister tried to harmonise the issue of EAC, there are other issues in terms of comparativeness that we must also appreciate, including the job opportunities. I thought the Minister should also have encouraged harmonisation of our education system in East Africa so that we can export labour which is comparative from the three countries so that our people can earn dividends in Tanzania and Uganda if only, we had the same level of education standards.

With those few remarks, I support.

The Assistant Minister for Justice and Constitutional Affairs (Mr. Mungatana): Mr. Temporary Deputy Chairman, Sir, I want to thank you for giving me the opportunity to make a few comments on this Motion. First and foremost, I want to say that the taxation measures and proposals that have been given by the Minister must be supported. They are commendable but as always, a good idea can always be made better.

Mr. Temporary Deputy Chairman, Sir, if you look at the Import Duty measures, the Minister has proposed that there will be no IDF to be charged on goods imported from the EAC partner States. If you come to the Income Tax measures, the Minister has proposed that in order to treat the other citizens of the EAC partner States who invest in Nairobi Stock Exchange and earn dividend income, the rate of withholding tax should be reduced to 5 per cent like Kenya's. This brings up the whole question of Economic Partnership Agreement (EPA). How does Kenya relate with other nations? When we are giving these exemptions in the IDF, and then we are giving the general withholding tax to be 5 per cent like all other East African countries, what is it that Kenya is gaining from the other side?

This is a very important issue because sometimes we might make extremely good proposals that turn up to jeopardise our own people. We are giving advantage to the other States. In as much as we are in the East African Community, we want to know what it is that they are also giving us. If we say that there is no IDF on all goods imported from the EAC partner States, what is it that Uganda or Tanzania is giving us? Is it only us giving then our business people suffer those charges when they go to their country? I would suggest that for the comfort of the hon. Members in the House, it would be important for us to know what it is that they are also giving in return for what we are doing in this country. Otherwise, we stand to lose and continue to do so.

Mr. Temporary Deputy Chairman, Sir, on the stock exchange, for instance, we are giving them the same rate of withholding tax of 5 per cent in Uganda and Tanzania, just like in Kenya. But if you look at the structures of the stock exchange in Kampala, they are still using manual systems. They still write things on paper. It takes such a long time. They have not invested in the CDS accounts like we have done and yet, the Ugandan who is going to trade in Kenya will have the same benefit like the Kenyan who is trading here and yet, we have improved our infrastructure and they have not. So, why should they benefit like us? So, I think in some of these measures involving other countries, particularly the EAC, we must put some form of standards so that when we are imposing the measure, it is not only them who are benefiting, to the detriment of our community.

Mr. Temporary Deputy Chairman, Sir, to even get your income back from Uganda after you have put in your money in the stock exchange, it can even take a whole month. Their procedures are ridiculously slow like we had so many years ago but we have left there and proceeded.

The measure that has been proposed for medical equipment to be tax-exempted when they come to Kenya must be supported. But we have to make a distinction. We have private hospitals in this country which are also licensed. We also have Government hospitals which are licensed. If you say that all of them that are importing medical equipment are all going to be exempted, the Minister should consider trying to distinguish the two. What is the difficulty in established private hospitals like the Aga Khan Hospital, Nairobi Hospital and other hospitals which are making a lot of money in this country, paying proper tax? We pay a lot money for the services they give us. Why should they be treated the same way in importing medical equipment like my village hospital; Ngao Sub-District Hospital? Why should it be the same? I think the support Ministry staff should have definitely distinguished the two, so that those who are able to pay, should be made to pay it. That should be the spirit with which we move.

Mr. Temporary Deputy Chairman, Sir, when the proposed measure on taxation to save our environment and to stop the degradation of the environment was made on 120 per cent, we all cheered because we are fully in support of that measure. But what happened? The next day, those importers of thin plastics passed the same to the consumer. The consumer is not the person we are targeting. In fact, even the stocks that are high up on the sea and those inside the godowns, they end up making profit on us. While we were clapping here, we were thinking that we were hitting at them while, in fact, the Minister was hitting at us. We need to find a way of hitting the target where it hurts. We must be able to find a taxation measure, maybe, even in the licensing of these people, so that if somebody is talking about the importation of plastics, for example, he should be hit as a business person, and be prevented from passing that burden to us. This is because the idea here is to prevent those plastics from coming into this country, and not for them to still come into the country the way they did last year, and at the same time we pay more for them. If that happens, we will miss the point.

So, I throw back the challenge to the Minister. He has to think again of a way of stopping these plastics from coming into this country. How are we going to discourage the plastics from coming into this country? One of the ways that he could think about is to encourage the growth of local packaging. He should give tax exemption to the local packaging industry, so that it can grow and become more attractive to the business people to invest in, instead of importing plastics. So, I think more thought needs to be put into this, if our aim is to discourage the degradation of the environment.

Mr. Temporary Deputy Chairman, Sir, finally, I want to thank and support the Minister for zero-rating duty on building materials that are used to build universities and student hostels. This is a good measure that will help us in the education sector, particularly, in the higher education sub-sector. However, what is it that the Minister has put in place to ensure that this is not abused?

Capt. Nakitare: On a point of order, Mr. Temporary Deputy Chairman, Sir. I rise under Standing Order No.87. Since this Motion has exhaustively been discussed, would I be in order to request that the Mover be now called upon to reply?

Prof. Olweny: You have just come in now!

The Temporary Deputy Chairman (Mr. Maore): I think we can extend the goodwill to Prof. Olweny and allow him to say something.

The Assistant Minister for Justice and Constitutional Affairs (Mr. Mungatana): Mr. Temporary Deputy Chairman, Sir, I support the Motion.

Prof. Olweny: Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to make my comments regarding these tax proposals by the Minister for Finance.

Some good proposals have been made here, but I wish to start by disagreeing with the Minister on the issue of Sugar Development Levy on imported sugar. Many hon. Members are opposed to the issue of importing industrial sugar duty-free. Let me tell the Minister something that he does not know. When the Miwani Sugar Mills was running, it used to meet 80 per cent of industrial sugar requirement of this country. What the Government should have done is to revive the Miwani Sugar Mills, because its sugar refinery is still very new. It will meet the industrial sugar requirement of this country without any problem. In fact, it has room for expansion that can enable it to even produce refined sugar that can be exported to the East African region. On that note, I wish to request the Minister that, that taxation measure be amended.

The Minister suggested something very good as regards plastic bags. I support the ban on thin plastic bags. The environment is highly polluted by these plastic bags that are all over the country. I also support the Minister for imposing a 120 per cent levy on plastic bags. But why can we not think of producing biodegradable plastic bags, as it is done in other countries? That will save us a lot. Furthermore, this country is producing a lot of bagasse from the sugar mills. That is

enough to produce paper bags that will replace the plastic bags. So, it will be a better idea to encourage investors to use the bagasse that is lying unused around the sugar mills in this country, to manufacture paper, which could be used to produce bags. If we talk of producing more paper from our trees, we are still going to cause a problem to our environment, because we do not have enough trees and forests. So, that is my suggestion to the Minister.

A number of hon. Members have made their contribution with regard to the second-hand vehicle spare parts. Let me inform the Minister that the accidents that we have on our roads are not caused by used vehicle spare parts or second-hand vehicles that are imported. They are caused by the poor condition of the roads and reckless driving. I do not understand how second-hand vehicle spare parts cause accidents. So, that is an issue which the Minister needs to reconsider, as has been suggested by my colleagues on this Floor. The issue of zero-rating Value Added Tax (VAT) on milk is good. I support the Minister on that. But year in, year out, we have requested the Minister for Finance to zero-rate VAT on sugar. Why has this request been ignored? He has proposed to zero-rate VAT on pyrethrum products which are used for killing insects that cause us problems here and there. But sugar is useful in every way. We have been requesting the Minister to zero-rate duty on sugar for the last four years, but it seems that, that is not a good idea to him. That suggests that the officers in the Ministry of Finance, are good enemies of the sugar industry.

Lastly, I commend the Minister for thinking about the elderly and exempting their pension from taxation. That is a good idea. After all, these people have spent all their lives paying tax. Why should they pay tax on the last bit of their earnings?

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

Mr. Ahenda: Thank you, Mr. Temporary Deputy Chairman, Sir. Let me just add my voice to a few things that I would like the Minister to take note of.

I am a strong supporter of the East African Community (EAC). Therefore, I would like the hon. Minister to look into the taxation as far as the members of the partner states are concerned. The time has come when we should look at all members of the EAC as members of one family. Therefore, there should be no tax regimes that favour Kenyans, as opposed to citizens from other member countries. This, actually, will enhance the way forward for the EAC.

Taxation, actually, is meant to stimulate growth, but not hamper it. If there is a tax regime that is hampering the industrial growth of a nation, then that is not a good tax regime. I would like the Minister to reconsider the tax that he has imposed on recycled batteries. The measure proposed by the Minister is actually retarding growth. When you want to industrialize, you must start with small ventures. You start from recycled products and then move to bigger things. If deterrent measures or tax regimes are imposed on recycled batteries, that is retarding development.

Mr. Temporary Deputy Chairman, Sir, on taxation of white sugar, as I mentioned earlier, any tax regime in this country must be geared towards industrialisation. Imposing taxation on this imported white sugar is not helping us at all. We can also start producing white sugar locally. The Minister should have looked into it instead of just imposing levies on it. He should impose higher taxation on this white industrial sugar from outside, so that he encourages local production of the sugar. This is the only way we can help develop the sector.

Mr. Temporary Deputy Chairman, Sir, I have no problem with the hon. Minister imposing tax on cigarettes. However, I would urge him to tax heavily the non-filter cigarettes because they contain more nicotine. In fact, they are actually killing more of our people than the filtered cigarettes. It is rather unique that he did not impose tax on these cigarettes. I agree with him that all brands of cigarettes should be heavily taxed. As one of hon. Member said, we could save more money on medical bills by imposing deterrent measures on the nicotine consumers.

Mr. Temporary Deputy Chairman, Sir, on hides and skins, the East African Community (EAC) should be looked at as one single country. Therefore, the hides and skins that are bypassing

across the borders should be tax-exempt.

Mr. Temporary Deputy Chairman, Sir, on the health sector, using Constituencies Development Fund (CDF) we have put up a very good health centre. I imported medical equipment for it. Are such medical facilities also tax exempt or it is only the big hospitals that get this tax exemption? I would like the Minister to look at this and allow our small dispensaries and health centres to import medical facilities without paying tax. We know Kenyatta National Hospital (KNH) is capable of paying duty.

Mr. Temporary Deputy Chairman, Sir, generally, these were very good taxation measures. Let them not be referred as "election taxation measures". Otherwise, let us have elections every year, so that the Minister can keep cool the way he is, these days.

With those few remarks, I beg to support.

Mr. Gitau: On a point of order, Mr. Temporary Deputy Chairman, Sir. I believe we have exhausted debate on these tax measures. Could I request that the Chair call upon the Mover to reply?

(Applause)

The Temporary Deputy Chairman (Mr. Maore): Hon. Gitau, I think that is not within our procedures and that is why you found me deviating. The issue is different. If there are no speakers, then we can end the debate by calling upon the Mover to reply. But as long as hon. Members want to talk, we have time.

Hon. Members: Mr. Temporary Deputy Chairman, Sir, there are no other hon. Members who want to contribute. We are in agreement!

The Temporary Deputy Chairman (Mr. Maore): Now, on that note, I do not see anybody interested in contributing. So, I call upon the Mover to reply.

(Applause)

The Minister for Finance (Mr. Kimunya): Thank you very much, Mr. Temporary Deputy Chairman, Sir. Let me take this opportunity to, first of all, thank the hon. Members for their contributions this afternoon. The Chair will agree with me that the quality of debate has been outstanding from the issues that have been raised by the hon. Members who have contributed. Many hon. Members are in support of these proposals. I will only confine myself to the areas that may require some clarification.

Mr. Temporary Deputy Chairman, Sir, one of the areas that I believe is being not quite understood is our intention on the Sugar Development Levy (SDL). The SDL, as within its broader sense, has a wider mandate, including the development of the sugar industry in the country. As such, we have not interfered with it. However, what we are trying to do is to look at the impact of the imposition of SDL on the various users and industries. One of those that we identified at this point was the competitiveness of our industries that are using industrial sugar as their basic input. Within the region, it is only Kenya that charges the 7 per cent. Countries such as Uganda, Rwanda, Burundi and Tanzania do not charge this levy. This makes our product uncompetitive. We have removed that tax knowing very well that the impact on the wider Sugar Development Fund (SDF) would be minimal. Also, there is no impact on the locally grown sugar. Locally grown sugar is not being used for industrial purposes.

Mr. Temporary Deputy Chairman, Sir, now, when we start growing locally industrial sugar, I will be very happy to extend the same treatment to the locally grown sugar as to the imported sugar. As of now, the only industrial sugar which is being used is imported. Therefore, it does not

make sense to gazette that there is a tax break on something that does not exist. So, that is just by way of explanation. I would also want to mention here that there is a wider Government commitment, anyway, to develop the sugar industry in addition to what is happening to the SDF. There is money for infrastructure development, electrification and grants are being pushed on through the parastatals as part of the wider development of the sugar industry.

Mr. Temporary Deputy Chairman, Sir, the other point which I just want to clarify, again, is on the Industrial Development Fund (IDF). Yes, we moved it from 2.75 per cent to 2.25 per cent. It may not look like a lot, but when you look at the volume of imports in this country, we are talking of billions of shillings that have been saved. Gradually, we are committing ourselves to reduce that eventually to zero. There are also tax implications. There is some impact on revenue. With the big budget we have this year, and the general elections scheduled to take place at the end of the year, we saw it wise to move in bits and pieces rather than please one group and sacrifice efficiency elsewhere.

Mr. Temporary Deputy Chairman, Sir, I want also to mention something about scrap metals. I think that issue came up, that we are only imposing export duty on batteries. What we have done is to bring the export duty on batteries at par with the export duty on the scrap metals. This is basically meant to discourage the export of batteries and scrap metals. When you tie this with the excise duty on the imported second-hand spare parts, we are on the way to starting to give incentives to local manufacturing. I am glad that Prof. Anyang'-Nyong'o did mention about potential revival of the Numerical Machining Complex. We need to give these people incentives. We are moving in the direction where we want to encourage local production of spare parts. However, what has been happening is that people have been saying: "Look, so long as we have all these imported spare parts coming in, there is nobody who will put up a plant to manufacture spare parts in this country." We need to start giving the signal that this country is about increasing our production base. We need to encourage investors to come here and increase the number of spare parts that are being produced locally. In other words, we are sending a signal that we will not be the dumping ground for all spare parts that cannot be used in other countries. These spare parts are being dumped here and they are killing our competitiveness. We all know what happened when we allowed *mitumba* to be imported duty free. We killed the cotton industry in this country.

Mr. Temporary Deputy Chairman, Sir, another thing that was brought to the fore is the claim that we have not addressed the issue of tax thresholds. Now, in 2004, the Income Tax thresholds were addressed. When we looked at the figures, we still believe that any adjustments would not necessarily improve the livelihoods of many people. We have taken the view that we should be spending more money on paying school fees for our children, giving them education, constructing roads, giving them power and so on. Eventually, when everybody is at par, we can start looking at the issue of thresholds, perhaps, in the course of the year. I promised that the study is going on.

Mr. Temporary Deputy Chairman, Sir, I believe that those were the main points that were raised and that required my clarification. By and large, I am very happy with the support that hon. Members have given me. I would also like to mention that there is none of these measures that we put in with a view of discriminating between our local and foreign markets. We want to look at issues, rather than who is producing what. The end result will show itself when the measures take impact; that everybody will be a winner whether he is a local manufacturer or a multinational.

Mr. Temporary Deputy Chairman, Sir, with those remarks, again, I would like to thank hon. Members for their contribution and support so far.

I beg to move.

(Question put and agreed to)

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Chairman, Sir, I beg to move that the Committee doth report to the House its consideration of the Resolution and its approval thereof without amendment.

(Question proposed)
(Question put and agreed to)
(The House resumed)

[The Temporary Deputy Speaker
(Mr. M'Mukindia) in the Chair]

REPORT

APPROVAL OF TAXATION MEASURES

Mr. Maore: Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered that the proposals relating to Excise Duties, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes contained in the Financial Statement for the year of account 2007/2008 be approved and the same has been approved without amendment.

The Minister for Finance (Mr. Kimunya): Mr. Temporary Deputy Speaker, Sir, I beg to move that the House doth agree with the Committee in the said Resolution.

The Minister for Justice and Constitutional Affairs (Ms. Karua) seconded.

(Question proposed)
(Question put and agreed to)

ADJOURNMENT

The Temporary Deputy Speaker (Mr. M'Mukindia): Hon. Members, there being no other business, the House is, therefore, adjourned until Tuesday, 3rd July, 2007, at 2.30 p.m.

The House rose at 5.40 p.m.