

# NATIONAL ASSEMBLY

## OFFICIAL REPORT

Wednesday, 16<sup>th</sup> June, 2010

The House met at 2.30 p.m.

*[Mr. Speaker in the Chair]*

### PRAYERS

### ADMINISTRATION OF OATH

The Oath of Allegiance was administered to the following Member:-  
Mr. Manson Nyamweya Oyongo.

### PETITION

#### INTERVENTION TO SETTLE KIBOROWA SQUATTERS

**Dr. Khalwale:** Mr. Speaker, Sir, on 30<sup>th</sup> March, 2010, I brought here a petition on behalf of Kiborowa squatters and you directed that the matter be referred to the Departmental Committee on Land and Natural Resources, and that the Committee reports its findings to this House within 21 days. But because there was a Recess, it lapsed and so I would like that you issue fresh directions.

**Mr. Speaker:** Order, hon. Members! According to the Standing Orders, the Committee is obligated to make its report within 21 days as I directed from the date that has been alluded to by Dr. Khalwale. Given that there was a Recess, computation of time will have stopped during the period of the Recess, but the directions of Mr. Speaker will not have been spent. So I will want to hear from the Chairman of the Committee on what progress they have made, bearing in mind computation of time because time will have run while Parliament was in Session, but stopped when we were on Recess and continued as soon as we reconvened. Is the Chairman of the Departmental Committee on Land and Natural Resources here? Is there any hon. Member of that Committee who can speak on behalf of the Committee? You all take responsibility as hon. Members of the Committee!

Hon. Members, is there no Member of the Departmental Committee on Land and Natural Resources? In that case, can I have a report from the Committee by Tuesday, next week? I want a report, at least, an indication on how far you have progressed.

### PAPERS LAID

The following Papers were laid on the Table:-

The Annual Report and financial statement of the Agricultural Finance Corporation (AFC) for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Minister for Agriculture)*

The Financial statement of the Kenya Tourist Development Corporation for the year ended 30<sup>th</sup> June, 2009, and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
behalf of the Minister for Tourism)*

The Report of the Controller and Auditor-General on the financial statement of the Jomo Kenyatta University of Agriculture and Technology for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

The Financial statement of Maseno University for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Minister for Higher Education,  
Science and Technology)*

The Annual Report and financial statement of the Kenya Re-insurance Corporation Limited for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

The Annual Report and financial statement of the Brand Kenya Board for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Deputy Prime Minister  
and Minister for Finance)*

The Financial statements of the Kenya Roads Board for the years ended 2006/2007, 2007/2008 and 2008/2009 and the certificates thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Minister for Roads)*

The Financial statement of Industrial and Commercial Development Corporation for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)*

*on behalf of the Minister for Industrialisation)*

The Financial statement of National Hospital and Insurance Fund for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Minister for Housing)*

The Annual Report and financial statement of the Nakuru Water and Sanitation Services Company for the year ended 30<sup>th</sup> June, 2009 and the certificate thereon by the Controller and Auditor-General.

*(By the Assistant Minister for Lands (Mr. Rai)  
on behalf of the Deputy Prime Minister  
and Minister for Local Government)*

### **QUESTIONS BY PRIVATE NOTICE**

#### **SUPERVISION OF LAND PARCELS MBARI-YA-IGI 41/42 BY KIAMBU COUNTY COUNCIL**

**Mr. Mwathi:** Mr. Speaker, Sir, I beg to ask the Deputy Prime Minister and Minister for Local Government the following Question by Private Notice.

(a) Could the Minister confirm the existence of land parcels Nos. Limuru/Mbari-ya-Igi 41 and 42 and state the use for which they were set aside?

(b) Is the Minister aware that Kiambu County Council is now subdividing the parcels for allocation to private users and, if so, could he provide names of beneficiaries of the sub-division?

(c) Could the Minister halt the exercise, considering that the allocation is not in line with the Government policy on public land?

**The Assistant Minister, Office of the Deputy Prime Minister and Ministry of Local Government (Mr. Nguyai):** Mr. Speaker, Sir, I beg to reply.

(a) It is true the two parcels of land exist. Land parcel No.Limuru/Mbari-ya-Igi 41 was set aside for drying of pyrethrum and parcel No.Limuru/Mbari-ya-Igi 42 was set aside for a cemetery.

(b) I am aware that Kiambu County Council, through Minutes No.WTPH/103/2008 of 16<sup>th</sup> October, 2008 resolved to sub-divide the two parcels of land and allocate to the following:-

Gitangu Water Development Project	-	0.5 acre
Ngaari Munyambu family	-	0.25 acre
Peter Mugo Maina	-	0.25 acre
David Mungai Mwaura	-	0.25 acre
Plot for polytechnic	-	0.5 acre
Reserved	-	0.25 acre

However, the council resolution has not been forwarded to my Ministry for approval.

(c) I have directed the Clerk to halt the exercise until proper procedures pertaining to the allocation of land have been followed.

**Mr. Mwathi:** Mr. Speaker, Sir, I thank the Assistant Minister for taking that very good action. Just to remind him that the Kiambu County Council is notorious for doing that; last year in this House there was another revocation of something they purported to allocate. Given that, that is public land, I want to know under what consideration the council is now allocating part of that parcel of land to private individuals and whether that is supported by the Ministry in any policy.

**Mr. Nguyai:** I want to make it very clear that our Ministry does not support the allocation of public land to private individuals unless it is through a very serious needs basis, and the allocation has to be approved by the Ministry. It is for that reason we have ensured that this exercise has been halted and we will act on any other illegal allocation.

**Mr. Imanyara:** Mr. Speaker, Sir, it is a very common practice now among the local authorities to purport to allocate public land not only to individuals but also to individual councilors. It has been happening in my own county council where the headquarters of Meru Central District is located, and where we are trying to find land to put up the district headquarters. Now that the Assistant Minister has confirmed that they do not condone this practice, could he issue a circular, or gazette notice, to all councils in the country, and particularly chief officers, informing them that it is illegal for county councils to allocate public land for any purpose, other than for public utility under the guidance of the Commissioner of Lands?

**Mr. Nguyai:** Yes, I undertake to ensure that a circular is issued to all councils indicating that it is illegal to allocate public land. I would like any hon. Member who has been aggrieved and has a case in which we need to ensure that it is halted to proceed to provide us with information so that we can act accordingly.

**Dr. Eseli:** Mr. Speaker, Sir, the Minister said that one of the uses of those parcels of land was for a cemetery. Now that cemetery land seems to provoke Pavlovian responses among hon. Members and the Ministry of Local Government, could the Assistant Minister assure this House that he will ensure that all land that has been set aside for cemeteries in all local authorities in this country is protected?

**Mr. Nguyai:** Mr. Speaker, Sir, as stated earlier, we will issue a circular not only for cemetery land but also for any land that belongs to the council that is meant to be for public use. I would like to assure the Member for Kimilili that we will make sure that there is land also for cemeteries.

**Mr. Mwathi:** Mr. Speaker, Sir, I just want a confirmation from the Assistant Minister that the land that was set aside for a cemetery shall remain as such, and that if there is any piece of land, especially in the drier pyrethrum-growing parts, to be issued to any entity, then that entity will be a public.

**Mr. Nguyai:** Mr. Speaker, Sir, since we have already halted the exercise. I would like to ascertain that this land has been reserved for specific purposes. If it is required for any purposes other than the specific one, it shall be in the public interest and it shall go through the appropriate procedures.

**Mr. Mwathi:** On a point of order, Mr. Speaker, Sir. Is the Assistant Minister in order to avoid the question? I just asked that he confirms that this land shall not find its way into the hands of private users. Those are individuals.

**Mr. Nguyai:** Mr. Speaker, Sir, I confirm that this land will be held for public interest and not private interest.

WITHDRAWAL OF MEGA INITIATIVE  
WELFARE SOCIETY COURT CASE

**Mr. C. Kilonzo:** Mr. Speaker, Sir, I beg to ask the Minister of State for Provincial Administration and Internal Security the following Question by Private Notice.

Under what circumstances are the police withdrawing the case of conspiracy to defraud (Re.CR/121/283/2010, CF542/2010) in respect of Mega Initiative Welfare Society?

**The Assistant Minister, Ministry of State for Provincial Administration and Internal Security** (Mr. Lesrima): Mr. Speaker, Sir, I am not ready with the answer. Since Mr. Ojode was supposed to answer this Question and he is out of the country, could I seek your indulgence to defer this Question to Tuesday, next week?

**Mr. Speaker:** Mr. C. Kilonzo, did you have any notice of the Assistant Minister being away?

**Mr. C. Kilonzo:** No, Mr. Speaker, Sir. Is it that now we will have to be waiting for Ministers to come back for Parliament to do its business?

**Mr. Speaker:** Order, Member for Yatta. I have been informed that this trip by Mr. Ojode was not programmed. It was abrupt to seek some emergency measures to be taken from our external partners. So, I plead that you extend that indulgence.

**Dr. Khalwale:** On a point of order, Mr. Speaker, Sir. It is only yesterday when Mr. Kenyatta shocked us by telling us that he could not answer a Question because he was waiting for his Assistant Minister, Dr. Oburu, to come and answer it. Now, this time the substantive Minister, Prof. Saitoti, is in the country, but he does not want to answer the Question; he is saying we wait for his Assistant Minister. Are we going to run Parliament that way?

**Mr. Imanyara:** Mr. Speaker, Sir, many times we have pointed out that the constitutional principle is one of collective responsibility, so that when one Minister is not in, it does not even have to be the Assistant Minister from his Ministry who answers the Question. We know Mr. Ojode is a very good Assistant Minister. He answers his questions diligently, but is that an excuse for others not to be as diligent as he is? Can they not set an example where, when you are not there, your deputy answers? When your deputy is not there, there are many others who will sit in for you, so that Parliamentary business always continues? Why do we have to stop the business of Questions being answered simply because an Assistant Minister is away, when there is a whole lot of them here, who do not even have responsibilities?

**Mr. Speaker:** Before I give directions on this, I would like to hear somebody from the Executive make a response. You have heard the concerns of Members of Parliament. The senior-most on the Front Bench is Mr. Franklin Bett.

**The Minister for Roads** (Mr. Bett): Mr. Speaker, Sir, I have noted the comments and the seriousness with which hon. Members take the work of the House. I will get the matter reported at the next Cabinet meeting.

**Mr. Speaker:** Hon. Members, as a matter of fact, I just wanted to extend some latitude to hon. Members to also express their concerns over this matter, because we have had to address this in the House Business Committee. We have impressed upon the Executive to take the work of Parliament and that of the Executive seriously; generally, it is found to be wanting. But the prevailing circumstances are such that I understand the difficulties that may be surrounding the Minister of State for Provincial Administration and Internal Security; you bombarded him with many issues this morning and he has not quite recovered.

*(Laughter)*

So, will accommodate the Minister until Tuesday next week at 2.30 p.m.

**Mr. Imanyara:** Mr. Speaker, Sir, arising out of your ruling, you will recall that during last Parliament none other than the Prime Minister indicated to this House that he and the other principal, the President of the Republic of Kenya, had agreed and were going to sign a joint letter addressed to you appointing the Leader of Government Business, so that we know who to point fingers at. When shall we get the Leader of Government Business as promised by the Prime Minister?

**Mr. Speaker:** Yes, that is a legitimate concern coming from the Member for Central Imenti. This matter was similarly addressed at the House Business Committee yesterday.

We are expectant of some response from the Executive presently. I anticipate before the end of this Session, at least, I will have some indication. I will take it upon myself to report to the House what that indication will be.

Member for Imenti North!

## ORAL ANSWERS TO QUESTIONS

*Question No.152*

### CONTRACT FOR AUTOMATED FINGERPRINTS/PALM IDENTIFICATION SYSTEM

**Mr. Speaker:** Member for Imenti North! The sword of justice cuts both ways. Having reprimanded the Executive, we must drop this Question. So, it is dropped.

*(Question dropped)*

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

**Mr. Speaker:** Order, Mr. Lesrima. Please, also learn to be accommodating just like your Ministry has been accommodated.

Member for Kisumu Town East!

*Question No. 099*

LACK OF TAX INCENTIVES FOR FILMS  
MADE IN KENYA

**Mr. Shakeel** asked the Minister for Information and communications:-

(a) whether he is aware that the country is losing out on job opportunities because of lack of tax incentives and that a foreign film maker who wished to make a film on Mr. Kimani Maruge opted for South Africa, which offers 20 per cent tax incentives;

(b) whether he could confirm that the Kenya Film Corporation has been lobbying for tax incentives for films made in Kenya; and,

(c) if he could clarify whether tax incentives will be granted and, if so, state when.

**The Assistant Minister for Information and Communications** (Maj. Godhana): Mr. Speaker, Sir, I beg to reply.

(a) No, I am unaware that the country is losing out on job opportunities because of lack of tax incentives. The film on Mr. Kimani Maruge, which the hon. Member has alluded to being shot in South Africa titled “The First Grader” was wholly done in Kenya and specifically at the following locations:- Nairobi, Kajiado District, Tigoni, Limuru, Kiambu District, Ruiru, Thika District and Ngong area, specifically in Matasia.

Blue Sky Films EPZ Ltd, a Kenyan Company was the local Film Agent that handled all logistics of the shoot on behalf of the Original Picture Ltd, London, the Company that produced the film under the license Number 99/2009/10 dated 15/10/2009 issued by the Ministry of Information and Communications.

The artists comprised of 106 Kenyans and eight South Africans. The first film was shot for 36 days from 9<sup>th</sup> November, 2009 to 19<sup>th</sup> December, 2009. It injected Kshs40 million into the country’s economy. So far, 100 foreigners films have been shot in the country since 1<sup>st</sup> July, 2009 to date. They have injected Kshs719,037,800 into the country’s economy. We continue to receive more film crews.

(b) The Government has acknowledged the importance of the film and television industry and has initiated a number of important interventions aimed at developing the industry. These include setting up the Kenya Film Commission, which aims to promote local content development and market Kenya’s locations at international film markets. The Government has initiated the National Film Policy that is currently in draft form and receiving comments from the stakeholders. The film policy under development will address issues in relation to special fiscal and other incentives and mechanisms with my Ministry, and the Treasury is aligned to provide guidance as soon as the same is debated and passed.

(c) Yes, I can confirm that tax incentives have been put in place to generate income and promote the film industry.

First, the import duty of 25 per cent and VAT of 16 per cent on television cameras, digital cameras and video camera recorders have been removed.

Secondly, VAT taxable goods and services offered to film producers have been zero-rated.

Thirdly, 100 per cent investment reduction on capital expenditure incurred by a film producer on purchase of any filming equipment has been granted.

The draft National Film Policy also has a proposed incentive package designed to make Kenya the destination of choice for the international film industry.

**Mr. Shakeel:** Mr. Speaker, Sir, I want to thank the Assistant Minister for a very comprehensive answer. It appears that over time, this matter has been attended to. I am satisfied completely with the answer.

*(Applause)*

**Mr. Speaker:** Order, hon. Members! Member for Voi.

*Question No.151*

DEATH OF GEORGINA SOPHIE NYASI  
AFTER CORPORAL PUNISHMENT

**Mr. Mwakulegwa** asked the Minister for Education:-

(a) whether he could confirm that a student, Georgina Sophie Nyasi, of Mwanyambo Primary School in Voi Constituency died after a teacher subjected her to corporal punishment;

(b) whether the Ministry conducted any investigations into the death and, if so, what were the findings; and

(c) what action the Minister has taken against the teacher, considering that corporal punishment has been outlawed in schools.

**The Assistant Minister for Education** (Prof. Olweny): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that a pupil, Georgina Sophie Nyasi, and all the class Five G pupils of Mwanyambo Primary School in Voi Constituency were caned by a teacher, Mr. John Chege on 14<sup>th</sup> May, 2009. She later died of malaria at the Coast General Hospital on 25<sup>th</sup> May, 2009.

(b) The Ministry conducted an internal investigations on 30<sup>th</sup> May, 2009 and the findings were as follows:-

The Five G Class Teacher, Mr. John Chege, TSC No. 320243 of Manyambo Primary School caned all the students with elastic rubber for allegedly making noise on 14<sup>th</sup> May, 2009. Each pupil received one stroke of the cane on the buttock, including the deceased pupil. The pupils confirmed that the late Georgina Sophie Nyasi had earlier on that day complained to them of headache and spent most of the time placing her head on the desk in the classroom.

On the same day, at around 1.00 p.m., the late pupil left for home and did not return to the school at 2.00 p.m. She remained out of school from 15<sup>th</sup> to 19<sup>th</sup> May, 2009 when the Head teacher, Mr. Joram Mwazo was informed of her admission to Voi District Hospital. On 20<sup>th</sup> May, 2009, the Head teacher together with other teachers visited her at the hospital and found her put on a drip. Thereafter, between 21<sup>st</sup> and 24<sup>th</sup> May, 2009, the school did not receive any information about the girl's medical condition and the parents did not visit the school.

The Head teacher was later informed that the girl had been transferred to Coast General Hospital on 24<sup>th</sup> May, 2009 and died on 25<sup>th</sup> May, 2009.



(c) The teacher, Mr. John Chege has been interdicted and his name removed from the TSC register as stipulated in the TSC Code of conduct and Ethics, Section 10(1). Further, it is noted that the investigation report received by the Ministry has not associated her death to caning. However, since the matter has gone to the police for professional investigation, we are awaiting for the final and detailed medical post-mortem report before taking any further action.

**Mr. Mwakulegwa:** Mr. Speaker, Sir, from the answer given by the Assistant Minister, the girl died of Malaria. Therefore, there is a glaring contradiction between that answer and the post mortem report that I will lay on the Table. The post mortem report reveals that the girl died of cardiac arrest following the shock she received after being given a stroke of the cane on the buttocks. From this report, it seems as if the Ministry is trying to cover up this incident so that the teacher is not punished and charged for murder.

*(Mr. Mwakulegwa laid the document on the Table)*

**Prof. Olweny:** Mr. Speaker, Sir, the Ministry is not covering up the teacher. The Ministry has already removed the teacher from the TSC payroll. He has already been interdicted. If the post mortem reveals that the child died out of caning, then that is a police case. The man will be taken to court and charged with assault or murder. We have, however, removed him from the payroll pending what the police will do with the case.

**Mr. Gunda:** Mr. Speaker, Sir, the Assistant Minister has said that the Report they have does not indicate that the child died out of caning. If that is the case, why did the Ministry take the drastic action of interdicting the teacher?

**Prof. Olweny:** Mr. Speaker, Sir, corporal punishment in schools is illegal. There is an Act of Parliament which makes it an offence to cane children in school. It is a criminal offence to cane your child, even at home.

**Mr. Njuguna:** Mr. Speaker, Sir, with the admission by the Assistant Minister that caning took place in this primary school and with the understanding that there is an Act of Parliament that bans caning, what broad steps is the Ministry taking to ensure that the Act of Parliament is fully implemented in both primary and secondary schools?

**Prof. Olweny:** Mr. Speaker, Sir, it is public knowledge in this country that caning is illegal in schools. Any teacher found doing it will be subjected to disciplinary action by the TSC. Any action beyond that belongs to the police.

**Ms. Odhiambo:** Mr. Speaker, Sir, could the Assistant Minister clarify why it has taken almost a year to charge the teacher with a criminal offence since it is obvious from his statement that the girl was caned? Whether she was caned on the buttocks or the hands it is a criminal offence under the Act. It is abominable to take that long when life has been lost. That is from May up to now.

**Prof. Olweny:** Mr. Speaker, Sir, the Ministry took action and by 5<sup>th</sup> January, 2010 the teacher had already been interdicted. However, when it comes to taking the gentleman to court it is a matter of the police and not the TSC.

**Dr. Eseli:** On a point of order, Mr. Speaker, Sir. The post mortem report has been tabled and putting my head together with my medical colleague, we have perused it quickly. We have realised that the cause of death is purely not related to the caning. So, I do not know whether it is in order for us to continue in that manner, where we might be

implicating the poor teacher as the cause of the death when the caning is not related to the cause of death. This post mortem report appears to be very clear. There could have been a previous underlying cardiac problem with this child.

**Mr. Speaker:** I think that is a genuine point of order. I also saw that and I thought the Assistant Minister himself would rise to the occasion, but he has not done that so far. With that prompting, Mr. Assistant Minister, do you have any response that can help you?

**Prof. Olweny:** Mr. Speaker, Sir, I have said that the report we have indicates that the child did not die due to caning. There were other natural causes. I do not need to repeat that.

**Mr. Imanyara:** On a point of order, Mr. Speaker, Sir. Having heard the opinion of the two doctors and your own concerns, it is important to note that when any Kenyan citizen of whatever age dies under suspicious circumstances, the law under the criminal procedure code, and the Attorney-General is here and will confirm, states that an inquest should be opened by the District Magistrate Courts nearest to the scene. Could the Assistant Minister consider referring this matter to the Attorney-General for advice so that an inquest file can be opened immediately, to ensure that we can have full circumstances under judicial scrutiny? It is only after that, that we can establish the true circumstances and the cause of death.

**Prof. Olweny:** Mr. Speaker, Sir, we will liaise with the relevant authorities and the Attorney-General's office when we get the report officially in order to have an inquest file opened.

**Mr. Speaker:** Order, Mr. Assistant Minister. Which report are you referring to?

**Prof. Olweny:** The post mortem report, Mr. Speaker, Sir. We have not got it officially in our Ministry.

**Mr. Speaker:** Order, Mr. Assistant Minister! There is no more official way of getting a report better than it being tabled in Parliament.

*(Applause)*

Confirm that you will take action appropriately.

**Prof. Olweny:** Mr. Speaker, Sir, we shall use the report that has been tabled in this House to take further action.

**Mr. Mwakulegwa:** Mr. Speaker, Sir, considering the fact that the student died after being caned and having been in hospital for ten days, it is possible that during the ten days she must have been attacked by malaria while in hospital. She could also have developed other complications. However, what triggered this sickness is the caning. This is because she was well in the morning. It is after receiving strokes of the cane that she did not return to school. Therefore, the teacher was responsible for accelerating any illness that she had.

**Mr. Speaker:** Mr. Assistant Minister, you need not respond to that. The Member for Voi is advised to avail that information to the police. You are potentially a very good witness.

*(Laughter)*

*Question No.179*

DELAYED SUPPLY OF ELECTRICITY TO  
BRIGIDIA/TONGAREN/LUKHUNA TOWNS

**Dr. Eseli** asked the Minister for Energy:-

- (a) why the proposed power supply from Brigidia through Tongaren to Lukhuna in Kimilili Constituency has not been undertaken, four years after it was planned;
- (b) what action the Ministry is taking to ensure that the project is carried out without further delay; and,
- (c) when the Naitiri/Mbakalo Project in Kimilili that has stalled for one-and-a-half years will be completed and what is causing the delay.

**The Assistant Minister for Energy** (Eng. M.M. Mahamud): Mr. Speaker, Sir, I beg to reply.

- (a) The power supply from Brigidia through Tongaren to Lukhuna in Kimilili Constituency is being undertaken through the Spanish Phase II Rural Electrification Project. There was a delay in the approval process of the Spanish credit which also caused a delay in the supply of power to Lukhuna. However, work is currently in progress and power supply to Lukhuna is expected to be complete by October, 2010.
- (b) The Ministry will monitor the work progress to ensure implementation and connection of power supply by October, 2010.
- (c) The construction of the Naitiri/Mbakalo Project is in progress and it is expected to be complete by July, 2010. The delay has been due to the use of concrete poles which take a lot of time and care to erect, to avoid damage.

**Dr. Eseli:** Thank you, Mr. Speaker, Sir. I wish to thank the Ministry which I have always respected for doing work on time except on this particular project which seems to have had a lot of delay. I would like to confirm to the House that since this Question appeared in the Order Paper before the House went on recess they quickly moved on site and work is ongoing. There is a misleading implication by the Assistant Minister that the delay was occasioned by the use of concrete poles which took time to erect to avoid breakage. The concrete poles were erected long before the project stalled. The reason for the delay was that there were no spare parts. However, they now seem to have found spare parts and work is going on. Does it require a Member of Parliament to raise a Question in this House in order for the Ministry to do its work?

**Eng. M.M. Mahamud:** Mr. Speaker, Sir, I thank the hon. Member for appreciating the answer I gave. To answer his question, it is true there was a delay in finalizing the Spanish funding. That is why the delay occurred on Part 1 of the project. Secondly, I take his point that there could be delay due to other reasons. I want to assure him that the project will be completed as planned.

**Dr. Kones:** Mr. Speaker, Sir, the Ministry has undertaken a number of electrification programmes in the country, but I think the problem has been lack of transformers in most of the projects. Could the Assistant Minister confirm if we now have enough transformers?

**Eng. M.M. Mahamud:** Mr. Speaker, Sir, the hon. Member is right. Quite a number of projects have been finalized, but have not been commissioned because of lack of transformers and conductors. But we have now placed an order and soon, they will be operationalized.

**Mr. Speaker:** Last question by the Member for Kimilili!

**Dr. Eseli:** Mr. Speaker, Sir, could the Assistant Minister explain to this House why it is that any project under the Kenya Power and Lighting Company (KPLC) is always delayed while that under the Rural Electrification Programme (REP) is way ahead, yet these two are under one Ministry? Is there a reason REP projects are moving faster than those of the KPLC?

**Eng. M.M. Mahamud:** Mr. Speaker, Sir, quite a number of projects which are undertaken by REA are funded by the Government of Kenya (GoK). These particular ones are funded by the donors; that is, the Spanish and other donors. Dealing with donors takes a bit of time. That is the reason they were slow.

**Mr. Speaker:** Next Question by the Member for Kitui South!

*Question No.194*

REHABILITATION OF RURAL ROADS IN MUTOMO

**Mr. I. Muoki** asked the Minister for Roads:-

(a) whether he is aware that all rural roads in Mutomo (namely, Mutomo-Kamutei road across Tiva River, Ikutha-Kanziko-Mutha-Voo Road, Mutomo-Mutha-Tana River Road, Ikutha-Wiiti-Muvuko-Kitoo Road, Athi Market-Katilini-Ilengi Road, Ikanga-Nduu Ndune-Kasivisuni Road, Mutomo-Kiviu-Kisayani-Mbitini Road, Mutomo-Uae-Kiangwa-Mbitini Road, and Mutomo-Kinakoni-Voo Road) are currently impassable because most drifts, bridges and culverts have been washed away; and,

(b) whether he could urgently provide emergency funds to reconstruct these bridges, culverts and drifts and also undertake murraming on the damaged sections.

**The Minister for Roads** (Mr. Bett): Mr. Speaker, Sir, I beg to reply.

- (a) I am aware that a number of rural roads in Mutomo have been damaged and, indeed, in many parts of the country, due to the recent and ongoing heavy rains.
- (b) My Ministry, through the Kenya Rural Roads Authority (KERRA), has issued Kshs16 million - and I want to assure hon. Members that the remaining Kshs3 million will be sent to their accounts in the course of next week - for roads maintenance. Constituencies Roads Committees, therefore, are requested to prioritize the repair of damaged roads to ensure the greatest benefit to the users. I am, of course, aware that these funds may not be adequate to cover the damage caused by floods or maintain those roads. I have, therefore, sought additional funding from the Office of the Deputy Prime Minister and Ministry of Finance to address the shortfalls in the next financial year 2010/2011 on emergency basis.

**Mr. I. Muoki:** Mr. Speaker, Sir, I think my Question to the Minister was very clear. The money we have for the regular maintenance of Kshs19 million, as he has already suggested, is not sufficient, given the level of damage done to the roads in the districts. Could the Minister source some funds under an emergency arrangement so that

we can put these drifts, culverts and bridges in place so that the roads can be passable in this district?

**Mr. Bett:** Mr. Speaker, Sir, I want to repeat that I have noticed that this money is not enough to cover the cost of damages on our roads. That is the reason I have placed a request to the Deputy Prime Minister and Minister for Finance to give me additional funds in the next financial year on emergency basis to handle such cases. In this particular case, the hon. Member is requesting attention to many roads, drifts and bridges. If put together all those works would cost Kshs115 million. That is a huge amount, if we were take every constituency, where roads were destroyed and bridges damaged during the long rains. So, I want to assure hon. Members that we are doing everything within our ability, as a Ministry and, indeed, with the support of the Ministry of Finance, we will handle most of the cases before us.

**Mr. Ogindo:** On a point of order, Mr. Speaker, Sir. I am aware that the Minister has presented his Budget before the House. Therefore, the Minister for Roads should be in a position to tell us whether the money is there for the next financial year. Could he confirm to this House whether there will be money available for the roads?

**Mr. Speaker:** Order! That is not a point of order! It is clearly a question.

**Mr. Wambugu:** Mr. Speaker, Sir, most of the roads in this country actually become dilapidated because of lack of maintenance. The maintenance programme is normally on annual basis. Could the Minister liaise with the regional engineers so that they can provide for continuous or monthly inspection or maintenance of the roads? Once a road becomes bad or there is heavy rain and there is no immediate attention to it, then by the time it is repaired within one year, it would be impassable.

**Mr. Bett:** Mr. Speaker, Sir, I want to confirm to the hon. Member that those instructions were issued a while ago; that the regional managers do brief my office on a regular basis on the conditions of our roads and what is required to repair them so that we may be able to know. I also want to indicate to the House that the long awaited Roads Sector Investment Programme will be tabled before the House before the end of this month to give us a clear picture on the development and maintenance of our roads. It will be a clear beacon as to which roads we will be handling at every time of the year.

**Mr. Abdirahman:** Mr. Speaker, Sir, you have heard the Minister say that they will be looking for funds from Treasury. Unless there is a disconnect, honestly, between the Office of the Deputy Prime Minister and Ministry of Finance, the Ministry of Roads and the Ministry of State for Planning, National Development and Vision 2030, when one knows his budget for the year and has made his priorities right, how he will be able to look for funds when, essentially, he has been granted funds for the whole year. Could the Minister be very specific because they had failed to spend the money that was allocated in the last financial year, and say whether he has given these roads a priority?

**Mr. Bett:** Mr. Speaker, Sir, I want to disabuse the hon. Member of any notion that money was returned to the Treasury in the last Budget. We are going to the next financial year with a huge debt. That does not mean that we had money that was handed back to the Treasury. I want to confirm that part of the money that is allocated to us will go to the attention of these roads which were damaged.

**Mr. Speaker:** Last question, Mr. I. Muoki!

**Mr. I. Muoki:** Mr. Speaker, Sir, now that the Budget has been read and money allocated, could I request the Minister that once we approve it, he considers these roads,

in particular the road running from Mutomo through Mutha to connect with Tana River which is a very important link road?

**Mr. Bett:** Mr. Speaker, Sir, I confirm that it will be done. Hereafter, I will issue specific instructions for my officers to give me the situation on that road. I will take appropriate action to repair it.

**Mr. Speaker:** That brings us to the end of Question Time. Yes, Rt. Hon. Prime Minister!

**The Prime Minister:** Mr. Speaker, Sir---

**Mr. Speaker:** Order!

**Dr. Khalwale:** On a point of order, Mr. Speaker, Sir. According to our Standing Orders, we carry out business in this House based on our traditions and customs. We have, clearly, over the short period that this country has been under the Prime Minister set a tradition whereby we are alerted in advance either the questions we will raise to the Prime Minister or the Statement he will make. The Prime Minister is about to make a statement and we are expected, on behalf of the public, to make informed contributions by way of interrogation. Could the Prime Minister explain to the House why he did not include on the Order Paper the business he wants to give the House today?

**Mr. Speaker:** Right hon. Prime Minister, do you want to make any response at all to that?

**The Prime Minister** (Mr. Raila): Mr. Speaker, Sir, the hon. Member for Ikolomani has raised a question to the Prime Minister which was supposed to be the basis of my statement this afternoon. However, yesterday, I was told that in the course of discussions yesterday, you ruled that that matter be answered by the Minister of State for Provincial Administration and Internal Security. It, therefore, became necessary for me to change what I was going to tell the House to something else. However, ordinarily, we have established a tradition of informing Members in advance what the Prime Minister will talk about in the House.

**Mr. Speaker:** Would you, the Right hon. Prime Minister, want to uphold that practice? Can we go back to it in future?

**The Prime Minister** (Mr. Raila): Yes! Mr. Speaker, Sir, I want to confirm that that has been the practice and barring any kind of last minute changes, we will abide by that practice.

**Mr. Speaker:** Fair enough. The hon. Member for Central Imenti, you are still not satisfied?

**Mr. Imanyara:** In that event, is it not proper that the Prime Minister indicates to us what he will be addressing to us and defers it to next Wednesday, given that it is only five minutes before we go to commencement of Business? Therefore, we will not have time to interrogate him, comment or seek clarification on the issues he wants to address the House on?

**Mr. Speaker:** Order! The Prime Minister need not respond to that. My directions will be as follows. That, obviously, is a genuine concern. However, so that we utilize our time productively, we have eight minutes to go. Maybe it would be appropriate to let the Right hon. Prime Minister issue the Statement and we can then keep the clarifications in abeyance until next week.

So, Right hon. Prime Minister, proceed but if you use three minutes, you may have to take some clarifications.

## PRIME MINISTER'S TIME

### KENYANS' EXPECTATIONS OF THE EAST AFRICAN COMMUNITY COMMON MARKET PROTOCOL

**The Prime Minister** (Mr. Raila): Thank you Mr. Speaker, Sir. I rise to make a brief statement on what Kenyans should expect when the East African Community Common Market Protocol comes into force on 1<sup>st</sup> July, 2010. Allow me to add a few words on the strategy for full implementation of the 2010/2011 Budget.

Hon. Members may recall that when the Heads of State and Governments of the East African Community's, five partner states appended their signatures to the Common Market Protocol, it ushered in two sets of actions. First, a full customs union became a reality on 1<sup>st</sup> January, 2010 where internal tariffs were fully eliminated.

Secondly, the ratification process began in each of the partner states as required by the treaty that established the East African Community. In Kenya, this process included sensitization of the public about the opportunities that would be brought about by the common market as well as undertaking possible implementing challenges that would need to be addressed.

All five partner states have deposited their respective instruments of ratification with the Secretary-General in Arusha, therefore, paving the way for the protocol coming into force at the scheduled date of 1<sup>st</sup> July, 2010. The process of implementation will thus begin. As we await to welcome the common market in July, Kenyans should expect the following:

First, we will issue an implementation schedule that outlines specific provisions of the protocol and the timetable. Second, we will establish a legally binding set of regulations that translates the commitments contained in the annexes into actions. Third, we will submit a Miscellaneous Amendment Bill which, once approved, will enable our national laws to comply with the requirements, provisions and protocol. Fourth, we will continue to simplify administrative procedures related to the freedoms and rights as found in the protocol. Finally, we will strengthen our implementation capacities in order to ensure timely enforcement.

The Government will also continue with the nationwide sensitization programme targeting all implementing agencies; the private sector, the media and the general public. In fact, this morning, I chaired the Prime Minister's round table with the private sector and shared with them what the commencement of the East African Common Market Protocol will entail. We identified the challenges that lay ahead of us and I undertook to remove roadblocks, cumbersome border crossing and other hindrances to free trade within the Community. I stressed the opportunities that the Common Market will bring to uplift the living standards of all Kenyans, and urged the private sector to take full advantage of these opportunities.

Mr. Speaker, Sir, I would like to take this opportunity to, sincerely, thank Kenyans for their great support to the East African Community Integration Agenda. I ask for patience and tolerance as we journey towards greater heights of integration and as we aspire to build a regionally and globally competitive Community. We must do so together

with our brothers and sisters in the region. Their success is our success and the success of the East African Community is the success of all citizens of this region.

## BUDGET IMPLEMENTATION

Allow me now to turn to my remarks on the Budget implementation. Hon. Members will agree that the rapid and full implementation of all the key infrastructure projects is a key to the success of this Budget. In this regard, the Government is adopting the following measures. First, for urgent large-scale infrastructure projects of national importance, we will find means to radically shorten the time required to complete public procurement procedures. We will do so within the provisions of the Public Procurement and Disposal Act. We will ensure that the process will be fully transparent and competitive. A Government taskforce will be established under the chairmanship of the Prime Minister in the task of recommending such means by the end of August, 2010.

Secondly, the Government will ensure that the Exchequer releases will in no way delay the implementation of key projects. Specifically, working closely with the Treasury, each line Ministry will establish a reliable and cost effective quarterly cash flow projection for this fiscal year, consistent with the annual budget allocation for that Ministry. The Treasury undertakes to issue Exchequer releases immediately upon the receipt of request for the release of such requests, as long as the request is in line with cash flow projections.

Third, the Government will eliminate undue delays in the initiation of a project that are caused by filing of frivolous court cases against public procurement contracts. To this end, the Attorney-General has been instructed to request the Judiciary to fasttrack cases involving infrastructure projects of national importance. In addition, we will request that in the event that the court determines that the case was frivolous, a prohibitively high penalty be imposed against the petitioner.

Mr. Speaker, Sir, equally important is the speedy implementation of the measures to support small and medium enterprises. In addition to the measures outlined in the proposed Budget, I have directed the Treasury to instruct the Chief Executive Officer, Capital Markets Authority to consider establishing a junior Nairobi Stock Exchange (NSE). The junior Nairobi Stock Exchange will assist upcoming Kenyan ventures in raising equity capital. If successful, the junior NSE will offer credible competition to commercial banks which we hope will lead the banks to become more competitive and cut the large spell between lending and deposit rates that they currently enjoy.

Special programmes for ASAL in the proposed Budget will go a long way to begin to redress the serious regional disparity that has emerged in the country. To ensure the speedy and focused implementation of the special ASAL programmes, a Ministerial Committee will be constituted under my chairmanship with the Ministry for Northern Kenya and other Arid Lands acting as the secretariat. Under the leadership of the Ministerial Committee, we will create an ASAL Investment Fund and an ASAL Education Trust to channel financial and technical resources of private enterprises, NGOs and civil society to the regions.

The proposed Budget allocates a large amount of resources to a number of line Ministries, specifically earmarked for projects that are geared primarily for employing the youth. The Ministerial Committee chaired by the Prime Minister will continue to guard



the implementation of these projects. A particular focus will be to mobilize the private sector for employment of skilled labour. A number of internship programmes have already been arranged through KEPSA, funded by the World Bank. I am pleased that several donors have expressed interest in joining our endeavour. With the Government, the private sector and the development partners joining forces, we shall create more than 500,000 jobs in this financial year.

Finally, I honestly believe that this Budget, if fully implemented, will touch the lives of all Kenyans now and in the years to come. Let all of us, therefore, work together prevailing over the partisan divides, so that we make a difference. Let us deliver the results that our fellow Kenyans truly deserve.

I conclude by urging the hon. Members to also help the Government implement this Budget without unnecessarily causing undue road blocks to the implementation of the Budget through procurement.

Thank you.

**Mr. Speaker:** Order, hon. Members! Those of you who want to seek clarifications, please, keep your notes and we will revert to this matter on Wednesday next week, during the Prime Minister's Time.

## COMMUNICATIONS FROM THE CHAIR

### MEMBERS LEAVING HOUSE AFTER QUESTION TIME

Before we proceed to the next Order, I wish to make the following Communication. According to our records on transactions of Parliamentary business, there is emerging a trend whereby most Members leave the House as soon as Question Time is over. I want to plead with hon. Members to bring this under check. Strictly understood, the business of the House is exclusive of Question Time. So that your performance as a Member of Parliament representing whatever constituency you do or interest, will be judged on how much input you will have made into what is tangible business of the House, which normally will begin with Order No.7 or No.8. So, hon. Members, please, note, because this record is being kept and it is important.

### DEBATE ON ANNUAL ESTIMATES CONTINUES

Hon. Members, also note that yesterday, for many years, is the first time that the Address on Annual Estimates was debated in a period under four hours, which is less than a day of parliamentary sitting. Hon. Members, you have a very powerful mandate to authorize taxation and expenditure. It is, therefore, important for you to note that your contribution to the Budget process is useful, if not significant. Those of you who may not have had an opportunity to contribute to the process, because we were informed in the House Business Committee that some of you claim that you were taken by surprise, it cannot be surprise because hon. Members, you have a duty to sustain the House. You cannot, therefore, work on the presumption that your neighbour or a Member representing another constituency will be here to ensure debate continues when you leave.

Hon. Members, please, note that those of you who may not have contributed, the Budget process is continuing even this afternoon. So, you actually have an opportunity to still make your contribution. Please, ensure that you, as much as possible, stay in the House to participate in the business of the House. Live coverage continues all the time.

Next Order!

## COMMITTEE OF WAYS AND MEANS

*(1<sup>st</sup> Alloted Day)*

*(Mr. Speaker left the Chair)*

IN THE COMMITTEE

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

### MOTION

APPROVAL OF TAXATION MEASURES

**The Deputy Prime Minister and Minister for Finance** (Mr. Kenyatta): Mr. Temporary Deputy Chairman, Sir, I beg to move:-

THAT, the proposals relating to Excise Duties, Value Added tax, Income Tax, Miscellaneous Fees and Taxes contained in the Financial Statement for the Fiscal Year 2010/2011 be approved.

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

Mr. Temporary Deputy Chairman, Sir, as mentioned during my Budget Speech, our economy has overcome the multiple shocks we experienced in 2008 and 2009 and, indeed, recovery is now underway. The real Gross Domestic Product (GDP) in 2010/2011 is projected at 4.5 per cent and 5.7 per cent, respectively or 5.1 per cent growth for the Financial Year 2010/2011. This level of growth is underpinned by increased investment in key sectors such as agriculture, services, infrastructure, health and education as well as the targeted strategic development interventions and global economic recovery.

The 2010 Budget, therefore, takes further steps to put the economy on to a higher and permanent inclusive growth path with the private sector as the key driver. It is aimed to increase productivity and build resilience while focusing on long-term national development objectives. It focuses on strengthening physical and human capital necessary for a competitive private sector led development. It also proposes policies that open up opportunities for upcoming entrepreneurs to start businesses and create employment while ensuring food security and equitable reasonable development.

Mr. Temporary Deputy Chairman, Sir, it is against this background that the tax proposals made in this year's Budget should be seen. As mentioned during my Budget Speech, the Government will deepen tax reforms in order to improve compliance, broaden the tax net and increase revenue in order to continue financing our priority expenditure programmes that are geared towards economic recovery. The reforms will also aim at accelerating the economy to a higher growth path by supporting the growth of our manufacturing sector.

Mr. Temporary Deputy Chairman, Sir, the taxation measures agreed under the East African Customs Management Act and the Common External Tariffs will, however, be implemented immediately after publication by the Chairperson of the East African Community Council of Ministers.

The proposed moderate adjustment under Excise Duty is meant to factor inflation. The proposed increase in Excise Duty on non-malt beer from Kshs45 to Kshs55 and on malt beer from Kshs54 to Kshs65 per litre is, therefore, a modest increase and only reflects inflation adjustments since the year 2008.

Mr. Temporary Deputy Chairman, Sir, once again, in order to promote investment and encourage employment in the agricultural sector, and to harmonise the tax incentives in the sector with those of other sectors, I propose to enhance the reduction granted for capital expenditure incurred by farmers on farm works from the current 50 per cent per annum to 100 per cent.

In order to ease the cash flow position for contractors of our infrastructure and to allow them to expand capacity to supply construction services, I propose to reduce the withholding VAT on construction services supplied to the Ministry of Roads from 16 per cent to 8 per cent.

Mr. Temporary Deputy Chairman, Sir, the proposal to lower penalty on Stamp Duty from 25 per cent to 5 per cent of the principal amount, and to reduce tax from mortgage charges and debentures from 0.25 per cent to 0.1 per cent is meant to encourage our people to buy and own land and houses.

Additionally, I propose to amend the Banking Act to raise the threshold of core capital that banks are allowed to invest in mortgage finance from 25 per cent to 40 per cent.

I have also proposed to reduce land rent late payment penalty from 2 per cent to 1 per cent per month, in addition to a waiver of the current outstanding interest up to 30<sup>th</sup> June, 2010. This is in order to accelerate and facilitate the collection of the outstanding land rent arrears.

Mr. Temporary Deputy Chairman, Sir, in order to ensure equity and fairness, I have also proposed to scrap the Advance Tax initially paid by PSV drivers and conductors before being issued with PSV licences.

I have also proposed to grant a tax amnesty to Kenyans in the diaspora for income earned for the period prior to the year 2010. These measures will encourage inflow of remittances from those Kenyans, who have demonstrated their desire to invest in their homeland.

Mr. Temporary Deputy Chairman, Sir, these are just some of the proposals that I presented in my Budget Speech with regard to deepening the tax reforms. The Tax Harmonisation Task Force has completed a preliminary review of our tax system. In

addition, we have benefitted from international expertise on the next course of action to review comprehensively, our tax system.

Going forward, the Government will appoint a Tax Reform Commission to come up with a tax code that is simpler and consistent with our Vision 2030. As a first step in this direction, the Government will fast-track review and formulation of a new VAT legislation to be tabled for debate in the next Budget.

Mr. Temporary Deputy Chairman, Sir, finally, it is imperative that we all work together to continue to transform our economy to a middle income country as envisioned in Vision 2030. This is an opportunity for us to choose to focus on the common good.

I am, therefore, hopeful and urge hon. Members and all other stakeholders to demonstrate their pride of being Kenyan by co-operating in the context of these efforts and in the pursuit of a common objective to improve our service to the nation, and to build a prosperous Kenya.

With those remarks, I beg to move.

**The Assistant Minister, Ministry of State for Defence** (Mr. Musila): Mr. Temporary Deputy Chairman, Sir, I stand here to support the Motion by the Deputy Prime Minister and Minister for Finance, and also congratulate him---

**The Temporary Deputy Chairman** (Mr. Imanyara): Mr. Musila, are you seconding the Motion?

**The Assistant Minister, Ministry of State for Defence** (Mr. Musila): Yes, Mr. Temporary Deputy Chairman, Sir.

As I second the Motion, I would like to congratulate the Deputy Prime Minister and Minister for Finance for the taxation measures he has put in place.

Mr. Temporary Deputy Chairman, Sir, if hon. Members were keen to listen, they must have noted that in every proposal that he made, the Deputy Prime Minister and Minister for Finance was reducing taxation for the purpose of ensuring that the economy grows, and that the people of this county can grow the economy to make Kenya a middle income country. I am sure that we will be able to achieve this objective.

All of us are also encouraged by coming into force on 1<sup>st</sup> July, 2010 of the Common Market of the East African countries. There is no doubt that the Deputy Prime Minister and Minister for Finance, alongside his colleagues in the East African Community, have taken these measures jointly. There is no doubt that these are measures that are going to help our region, and Kenya in particular, in moving forward.

Mr. Temporary Deputy Chairman, Sir, I have also noticed that the Deputy Prime Minister and Minister for Finance has done something that is rarely done by extending amnesty on Income Tax for Kenyans in the diaspora. This group of Kenyans has been responsible for providing the necessary foreign currency in this country even during the times we had faced difficulties. Therefore, the Deputy Prime Minister and Minister for Finance has done what is necessary to encourage this group of Kenyans to continue bringing more money to their motherland, so that we may grow.

All the measures that the Deputy Prime Minister and Minister for Finance has taken are aimed at ensuring that the income tax bracket remains the same. For instance, VAT remains at 16 per cent. I particularly like his undertaking to introduce measures by next year, which are going to simplify payment of VAT. These are measures which are going to move the economy of this country forward.

Mr. Temporary Deputy Chairman, Sir, one thing I would like him to ensure that he takes a very keen interest on is the interest that banks continue to charge on loans they give to Kenyans. Every time, we are told that the banking industry will regulate itself. At the end of every financial year of these institutions, declare profits in billions of shillings. It is now a competition as to how many billions bank "A" makes as compared to the other, without taking into consideration the economy of this country.

As the Minister is aware, no economy will grow so long as credit is not available to the citizens who are the ones who move the economy forward. Therefore, I urge the Minister to do what it takes to ensure that these banks, which up to now are only giving lip service to the issue of reduction of interest, to ensure that banks are made to reduce the interest they charge on loans, so that the people of this country can secure loans and improve this country's economy.

Mr. Temporary Deputy Chairman, Sir, I am sure that the Deputy Prime Minister and Minister for Finance is able to do this. I am sure that this House expects him to do just that. We are, therefore, looking forward to the Minister taking some tangible actions to make banks reduce their interest rates on loans that they give to Kenyans.

With those remarks, I beg to second.

*(Question proposed)*

**The Temporary Deputy Chairman** (Mr. Imanyara): Hon. Members, you will recall that in terms of the resolution that was adopted by this House through a Procedural Motion, each person wishing to contribute to this debate has 10 minutes to do so.

**Mr. Shakeel:** Mr. Temporary Deputy Chairman, Sir, I wish to contribute to this Motion. The 2009/2010 Budget was excellent in theory and in intension and we fully supported it. However, the processes and the implementation of the very noble ideas were lacking. As a result, the Budget was unable to perform the way we expected. Unfortunately, the 2010/2011 Budget follows the same pattern. In theory, it is good but nothing much has been done on the processes and the implementation strategy to put the theory into actual practice. I do not want to talk about the *Kazi Kwa Vijana* Programme and others which were meant to be stimulus packages and were supposed to have taken place in three months but have not taken place. The result is that the intended requirement did not happen. The intended benefit was not generated. It is true that it is not the mistake of the Ministry or the Minister. This is an indication of the systems that we are stuck and shuttled with, which hinder and put spanners into works, thus reducing the intended effect.

Mr. Temporary Deputy Chairman, Sir, is this a pro-poor Budget? No, it is not. Has it got the right growth strategy in mind? Is it congruent with the way we want to move forward? Yes, it is. However, the growth strategy is a short-term strategy trying to handle a long-term problem. It is very clear that you cannot have short-term quick fixes to handle long-term problems. That is what I think is happening here and the result is that we are not effective. I said that this is not a pro-poor Budget. Indirect taxes have not been touched but have been extended. Direct taxation has been reduced. I am surprised. How many *wananchi* have houses? To reduce the Stamp Duty from 2 per cent to 1 per cent will not help my constituents who do not have houses. To say that penalty on land rent be reduced or rather amnesty be given--- It is only the rich who have not paid land rent for

many years and they have benefitted. What about the poor who do not even have a house on which they can pay land rent.

Mr. Temporary Deputy Chairman, Sir, the Deputy Prime Minister and Minister for Finance has not been able to come up and clear the difference between austerity measures and that of trying to spin the economy out of recession. We cannot go and start spending what we do not have. We do not have Kshs1 trillion but we intend to borrow and spend it. Who will repay it? Every Kenyan is now burdened with debt. Since I am not sure about the amount, I will say between Kshs20,000 and Kshs30,000. This Budget will increase that debt. If you want to help the construction industry, do not reduce stamp duty but reduce the value of Value Added Tax (VAT) and the amount charged on cement and other things. It does not help to reduce the stamp duty from 2 per cent to 1 per cent. It does not help *wananchi* who do not fall within that bracket. Many of us or about 90 per cent are not within that bracket.

It is a good incentive for the Kenyan in the Diaspora to be part and parcel of the economy of this country. However, we must get away from our normal way of taxing the poor and leaving the rich. This is Robin Hood approach where the poor are paying for the rich and the effect is the reverse to the intended one who defects in reverse. We tax *mama mboga* Kshs50 for selling *mboga* at Kshs200 and yet all the major enterprises in this country get away with it.

The Assistant Minister, Mr. Musila, has talked about banking. It is time the Central Bank of Kenya (CBK) went back and put limits on interests to be charged. We have allowed them to go ahead unfettered. They have used money for micro industries and micro-businesses and charged them tremendous amount of money. The interest on micro-loans is up to 30 per cent per year. How can the poor man benefit? I would like to say that in theory and in intention, the Budget is good. However, it is using short-term solutions to solve long-term problems.

Finally, the Budget is based on the fact that implementation will take place as and when it is expected. Unfortunately, experience has taught us that implementation is not as good as the intention of the Deputy Prime Minister and Minister for Finance and the Ministry is. These are hamstrung by the inefficiencies of other Ministries and implementation. Unfortunately, I cannot say that I support this process. I will, however, reluctantly support the Budget as it is with the reservations that it is not a pro-poor Budget. I urge the Deputy Prime Minister and Minister for Finance to kindly look into this issue so that the poor can benefit by a reduction of indirect taxes.

Thank you.

**The Assistant Minister for Regional Development Authorities** (ole Metito): Thank you, Mr. Temporary Deputy Chairman, Sir for giving me this opportunity to also add my voice on this Motion which I support. I also want to congratulate the Deputy Prime Minister and Minister for Finance for the way he ably presented the Budget.

On taxation, I would like to comment on three or four measures that the Deputy Prime Minister and Minister for Finance has taken which I would like to say are pro-poor and will bring down the cost of services to the common man. First, he lowered tax on imported wheat and rice. This will encourage diversification of food security in this country. We are an agriculturally-dependent economy. However, for a long time, we have been depending mostly on maize. Now that the Deputy Prime Minister and Minister for Finance has taken measures to bring down the cost of wheat and rice, it will open up the

food basket in this country. Even in difficult times, for example during persistent drought, the Government can now give us different relief food like wheat and rice since it will be produced in large quantities and, therefore, readily available to the citizens.

Mr. Temporary Deputy Chairman, Sir, the other measure I would like to applaud the Deputy Prime Minister and Minister for Finance, the way he has handled it, is with regard to agriculture. As it has been said, agriculture contributes 23 per cent of our Gross Domestic Product (GDP). The Deputy Prime Minister and Minister for Finance has brought down the cost of farm inputs by 100 per cent. I believe that the deduction on capital expenditure on farm input will benefit the farmer; first, by transferring that cost reduction to the end products. That is, the produce from the farms which will be produced cheaply.

Let me comment on the issue of aflatoxin. We had a bumper harvest. When the Minister presented his budget, he said that we will not want to punish our farmers during the post-harvest season. As many of my colleagues have said, aflatoxin is brought by the failure to dry the produce to the required level of around 13.5 percent moisture content. But in some areas, it is very difficult to dry that maize to the required moisture content of 13.5 percent because of the weather conditions. I have in mind the areas around Mt. Kenya, Mt. Kilimanjaro and Loitokitok area where the weather pattern is ever cold. It is very difficult to dry maize in such areas to the required levels. In his budget, the Minister said that he has set aside Kshs400 million to buy fixed maize driers and Kshs360 million for 30 mobile driers. I would like to appeal to him to ensure that areas like Loitokitok get one fixed drier and one mobile drier.

Mr. Temporary Deputy Chairman, Sir, another taxation measure that I would like to applaud the Minister on is the issue of protecting local industries. He has taken a bold step by increasing the cost of imports on products that are locally available. This will protect our local industries and create employment and an environment favourable for investments.

The issue of the construction subsector has been coming up over the years and I think the Minister has recognised that by bringing down the cost of construction by reducing the cost of products that are used to manufacture cement and paint. He also went an extra mile of reducing the Withholding Tax by 50 percent that contractors really complain about. I think construction is going to be a booming business in this country and the issue of shortage of housing should actually be addressed by such measures. My appeal is that this will translate to the end consumer by bringing down the cost of owning a house in this country. Finally, the Minister talks about measures to address fairness and equity by abolishing the Advance Tax especially with regard to PSV drivers and their conductors. I think this is commendable. These are young people. It was actually a punitive measure to ask them to pay tax in advance even before they get employed.

With those few remarks, I want to support the Motion.

**Mr. Bahari:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me this opportunity to contribute to this Motion. I want to congratulate the Minister for the able manner in which he presented this Budget and in particular, how he was able to balance various competing interests that the Ministry faces at this time. It is quite clear that it requires a bit of serious thinking into how this economy can grow and particularly so, what is on the table right now is the issue of the East African Common Market which Kenya, as a major player in terms of the contribution of this country, in terms of the share

of this country in business within the region, this country must be able to take advantage of that. I have in mind in particular, the manufacturing sector which has been stagnating or going down for a period of time. I think this is the right time now the manufacturing sector in this country should take advantage of the East African Common Market. Since it is now all systems go, the Ministry must focus in liaison with the Ministry responsible for East African Community, the Ministry responsible for Trade and others, they should be able to organise themselves and the business community in this country, to take maximum advantage and in particular, through the measures that the Minister has put in place. It is only then that we will realise perhaps, some reasonable growth in our manufacturing sector. This goes along with other incentives that the Minister must put in place, particularly in the area of energy; so, the issues of cost and other factors that affect the overhead costs must now be coming down to ensure that our manufacturing sector takes advantage of this. There is also the issue of the transit goods. In the past, they have really messed up the market because a lot of these transit goods kept on finding their way back into the market without paying the requisite taxes. So, since the Minister now is introducing electronic monitoring of these transit goods, we hope that this is going to work and will ensure that the local industry is protected.

With the growth of the manufacturing sector, perhaps arising out of the East African Common Market, the Minister will now expect to increase revenue in those areas and he will be able to get tax revenue which will allow the growth of his basket. It is high time the Ministry lived to its expectations or its vision of ensuring that resources are allocated in areas where they expect optimum returns.

Looking at the agriculture sector in totality, you will realise that the livestock sector contributes nearly 50 percent of agricultural produce in the market place. But when you look at the contribution or the investment from the Ministry in this sector, you will realise as much as the Ministry may have done something in a positive way this time round, but we are not yet there when it comes to the livestock sector. The livestock sector employs a substantial number of rural population. It also supports very many households in the rural areas. The allocation from the Ministry in this sector is not commensurate with its contribution. I can only say this is unfair and it should be addressed. There has been a lot of emphasis on crop production. I am not saying it is not important. It is equally important but then we must look at what are the returns and the motto of the Ministry is very clear. The vision of the Ministry is that you put resources where you get optimum returns. In this instance, there has been a blind eye on this except perhaps for this time round where there has been change in the right direction but we are not yet there. We should move in that direction. Also, in the area of tourism, it has been a good foreign exchange earner and they have been paying their taxes very well. Over a long period, the tourism sector has been ignored in terms of Government resource allocation. Indeed, most of the resources have come from donors rather than our own local resources. It is high time that this Ministry is given attention because it employs many people, just like the manufacturing sector if well taken care of. If the industry is supported in the common market area, then we expect employment, not the type of *Kazi Kwa Vijana* type. Employment in the formal sector is expected to grow and that will, in turn, build the tax bracket; the people who will come into the tax bracket as far as taxation issues are concerned.

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



**Mr. Njuguna:** Once again, Mr. Temporary Deputy Chairman, Sir, I take the opportunity to thank you for granting me this opportunity to make my small contribution to this Budget. Firstly, let me thank the Deputy Prime Minister and Minister for Finance for the fitting manner in which he presented the Budget in this House. Although there was some power interruption, the Minister continued to make the Speech and this was really very good to us. I should also extend my appreciation to the Permanent Secretary in the Ministry, and also the senior staff who really participated in the whole process, and who also assisted in the consolidation of the Budget. With the implementation of this Budget's objectives, this nation is likely to realize a strong economy, peace and even harmony.

On tax collection, I wish to thank Mr. Waweru, the Director-General of the Kenya Revenue Authority (KRA) for the constant efforts he has really exhibited in flexing his muscles in terms of collecting taxes. We should also encourage the tax collector to regularly check if there are illegal imports that are likely to interfere with our tax collection and stability. The KRA should also be fully alert at all the entry points where illegal goods are likely to be allowed to get into this country.

Mr. Temporary Deputy Chairman, Sir, on the Tax Reform Commission, this is a very noble idea, and I would urge the Minister to continue constituting this Commission because it will enhance the tax collection in this nation. These taxes will continue to enhance the economic performance of our nation. This Commission, as thought out, should reflect fair representation of the entire country. The commissioners should not come from one or two regions; they should be fairly distributed in the whole country. Qualifications and even performance should be the yardstick in appointing the commissioners. Gender balance is another area that should be factored in as we embark on the formation of this Commission.

Mr. Temporary Deputy Chairman, Sir, I should also thank the Minister for re-allocating funds for the Economic Stimulus Programme, which has not taken off; for instance, the *jua kali* sheds, the modern markets and even the health centres have not been built. With faster release of funds to these sectors, we are likely now to create employment for our youth, who are already now taking illicit brews and even other brews which are not really good for their health, and even for the economic performance of this nation.

On the fishing sector, Mr. Temporary Deputy Chairman, Sir, we note that opportunities have been created for our youth, and this is very important, indeed. Once funds are collected, all the Ministries which have been allocated funds, should be accountable and transparent in the manner in which they are going to utilize these funds in the interests of Kenyans. We have noted that some funds allocated have not gone to the intended youth. I recall that money allocated to the Ministry of Education, at times, has been diverted to other causes. This money should be spent to improve the quality of education in this country; to improve the services and to really meet the expectations of our teachers in the primary and secondary schools and even in the universities.

Mr. Temporary Deputy Chairman, Sir, I also take this opportunity to thank the Minister for Finance for remembering to allocate enough funds for the university lecturers, who had already expressed some concerns because of their salaries. We have noted that the Ministry of Education has been allocated Kshs141 billion; this money must be used properly, so that the desired goals are realized. We have created the centres of

excellence - the model primary schools in all the constituencies in this Republic, and the expectations must be met.

I would, therefore, Mr. Temporary Deputy Chairman, Sir, fully support this Motion for faster implementation of the Budget.

Thank you, Mr. Temporary Deputy Chairman, Sir.

**Dr. Eseli:** Thank you, Mr. Temporary Deputy Chairman, Sir, for this opportunity to make this contribution. I will, probably, deviate a bit from the previous contributors, who mainly appeared to have been passing a vote of thanks to the Ministry of Finance. I will probably deviate from that way of looking at things because, honestly, it appears that this Budget is pro-business. The question that has lingered in my mind is, which business is it pro? I see my aunt or my sister in Kamukuywa Market carrying bananas worth Kshs60 on her head to the market and the county council taxing her Kshs30, and after she sells them, she goes home with Kshs30. She is trying to do her business; I do not see how this Budget has been pro-her – who is the poorest! This Budget is properly pro-big business, not pro-small business.

Mr. Temporary Deputy Chairman, Sir, I also fail to see what exactly is in this Budget that will ensure rapid industrialization of this country; with industrialization, then that poor sister of mine in Kamukuywa will be able to get a job and be able to earn more than the Kshs30 per day. Industrialization has been taken for granted. We seem to believe that when we put in infrastructure like roads in certain areas, then we industrialize the country. In this Budget, I have not seen any single cent for the road network in Western Kenya, except the trunk roads leading to Uganda. So, I do not know whether we are part of this country or not!

Mr. Temporary Deputy Chairman, Sir, in this Budget, I realize that we have said a lot of things which sound very nice. The 300 computers per constituency will go to the schools or wherever. Are the number of schools equal in every constituency? I know that in my constituency, we have about 60 secondary schools. I am being told that I will be given 300 computers, which number will, probably, go to another constituency with about 20 secondary schools. This Budget perpetuates inequity. Inequitable distribution of national resources needs to stop. We need to have real criteria for distribution of the national resources.

Let us look at bodies like the Higher Education Loans Board (HELB). This Parliament passed a Motion brought by myself that we should fund middle level colleges and technical training institutes students should be able to access HELB loans, so that they can also be able to continue with education. I do not see it here!

There is no way we will industrialize unless we have those middle level technicians. Those are the backbone of industrialization of any country. So far, we have neglected them. How do we expect to meet our Millennium Development Goals of the Vision 2030? The year 2030 is now only 20 years away. If we keep having a generic budget like this, I do not see us attaining those goals.

Mr. Temporary Deputy Chairman, Sir, look at the youth micro-finance system. We have said this money will go through the banks. The Youth Enterprise Development Fund (YEDF) has been going through the banks; how effective has it been? We are perpetuating the same thing now.

I do not wish to pour too much cold water but I wish to point out some very essential key issues here. Industrialization is not going to be an accident. We should not

sit and hope that it will happen with generic budgets. We must make a concerted effort to ensure that we do this.

Mr. Temporary Deputy Chairman, Sir, right now, there is a lot of emotion about land. This emotion about land is because we are not an industrialized country. If we were industrialized, there would be less pressure on the land. People will be able to get jobs elsewhere. I do not see how this Budget is leading us in that direction.

After pouring all that cold water, it is immaterial whether I support or oppose the Budget because it has already been done. So, my work here was just to point out some of the issues that need to be looked into in the next Budget now that the Minister is here.

Thank you.

**Eng. Maina:** Thank you Mr. Temporary Deputy Chairman, Sir. I wish to support the Budget with some observations.

We, as a country, are developing. We must be clear what sectors of our society we are addressing when we want this country to develop. The issue of the energy sector is very important if this country is to develop. Efforts were made to support the energy sector and consequently, I support them. However, more support and more resources should be put into this sector.

Mr. Temporary Deputy Chairman, Sir, my other observation regards infrastructure. I must confess that I am an engineer. It is totally worrying that a country is expected to grow whereas its resources are managed and are in the hands of non-citizens. Over the last five years, the construction industry in this country is only 2 per cent managed by citizens of this country. I consider this not in line with what we want to achieve in order to develop.

Countries like the United States of America (USA) and Malaysia developed because their people were involved in their development. When I say their people, I mean the majority of Kenyans. About 98 per cent of Kenyans in this country, we all know, happen to be Africans. In accordance with Sessional Paper No.10 which our forefathers underlined as the guideline for the development of this country, not until we involve the majority of our population, shall this country see real development.

We are talking of the private sector being the engine for development. That is fine. But who is in charge of the private sector? If the private sector is managed by non-Kenyans, I regret to say we will be cheating ourselves to think that Kenya will develop. That is why we are going to end up with more and more people who cannot feed themselves. So, it is high time that policies were put in place to ensure the resources of this country, in accordance with the very first Sessional Paper No.10 which was signed by our late President in 1965 and authored by the late Tom Mboya and which even today remains very relevant. It is actually the line that all great countries like the USA, Malaysia, China and all other countries follow.

Mr. Temporary Deputy Chairman, Sir, I am very disturbed when we have a Budget of Kshs180 billion which is not going to translate into the employment of the youth in this country. That is the reality. It does not make sense to me at all to have an infrastructural project that costs Kshs5 billion being built and even the manual labourers happen to be non-Kenyans. It does not translate into real effective source of development for this country. It could even be a conduit of wealth export into other countries. I think there is need for this Government to look seriously into formulation policies that ensure

that what we are proclaiming to be development for Kenya is real development for Kenya.

There is the issue of poverty eradication. We are not going to be able to eradicate poverty until the resources that this country has against the population of this country are involved in managing the resources of this country. I need not over-emphasize that agriculture will remain for a long time the backbone of our economy. We have been told about tourism, we can talk of industrialization by the year 2030, but Kenya with its beautiful climate and natural resources is an agricultural country. Therefore, when I look at this Budget, I would have expected that there is going to be real injection of resources into sectors like coffee, tea, dairy, sugar, cotton *et cetera*. Without being shy, we should allocate resources to the people. Swaziland has managed to be self sufficient in food by a very simple method.

Mr. Temporary Deputy Chairman, Sir, when Malawi came up with a policy of giving its farmers free fertilizer, free seeds and simple irrigation projects, the World Bank and other bodies did not support that policy. Today, Malawi is exporting food to other countries in Africa. Malawi is being talked of as an example of a country that has come from the doldrums of being unable to feed itself. This was achieved because the President of Malawi took it upon himself and put agriculture under his Ministry and ensured resources were unreservedly and jealously put into the Ministry of Agriculture for the farmers in rural areas. Today, Malawi is self sufficient in food. Kenya should be there but what do we need? We should get the coffee farmers free fertilizer, give tea farmers free fertilizer and give the sugar cane farmers free inputs and the kind of production you will witness in this country will be unparalleled. Kenya will be moving in the direction of development.

Mr. Temporary Deputy Chairman, Sir, there is the issue of the youth. About 70 per cent of the population of this country is composed of the youth. Let us not have minute proposals to support the youth. If we are serious, the beginning of the development of this country is to create employment for our youth.

Any big Budget, like the infrastructure budget of Kshs180 billion, the real test that it is contributing to the economy and stability of this country is the issue of how many youth will be employed. I want to report to this House that maybe, out of the Kshs180 billion infrastructure project, only Kshs2 billion or Kshs3 billion will be utilized in the employment of our youth. The rest will be used in employment of prisoners from other countries. This is not the way to develop. So, let us come up with policies that put resources in a big way in the hands of the youth because that is where the big population is. If we do so, Kenya will be on the road to development.

Mr. Temporary Deputy Chairman, Sir, I need not emphasize that poverty eradication is going to be evasive for a long time until ordinary Kenyans have access to the resources of this country. The banking sector should open itself up to the smallest man without stringent demands that you have to be rich for you to access money in this country.

As much as I support the Budget, let us remember we still have people in IDP camps. History will judge us harshly because we have failed to address the issue of IDPs. Three years down the line, this Parliament has not addressed the issue of IDPs whose livelihoods were interrupted. They are currently living in various places in Luo Nyanza, Kisii, Luhyaland and Kikuyuland.

With those few remarks, I beg to support the Budget.

**Ms. A. Abdalla:** Mr. Temporary Deputy Chairman, Sir, I beg to support the tax proposals presented by the Deputy Prime Minister and Minister for Finance.

A nation that does not draw lessons from experience is a nation that does not improve its work. Though I was pleased that the Minister for Finance rolled over the Economic Stimulus Programmes (ESPs) that were started last year to stimulate our economy, I was disappointed that the Ministry of Finance did not share with the House the reasons and lessons learnt on why those programmes were not initiated on time. Without drawing those lessons, it would be useless to roll over a programme where there is resistance to that programme and lessons learnt or actions taken on that resistance are not shared. So, much as I am happy that the ESP has been rolled over, I think it would have been prudent for the Minister to share the resistance that those programmes faced, especially from the technocrats in the relevant Ministries, such as the Ministry of Roads and the rest who slowed down the implementation of those programmes.

Having said that, economists have told us that the problem with our Budget is that it is running on one engine; mainly the domestic engine. I am disappointed that we did not do more with this Budget on increasing the export. However, I wish to note the fact that the Budget included investment in the road sector, especially those that are opening our "A" roads to the international markets of northern Tanzania. The continued investment on the Isiolo-Moyale Road will open our Kenyan products for export to big markets such as the Ethiopian, of over 70 million. The opening up of Voi-Taveta Road will benefit our exports to northern Tanzania market.

On the Value Added Tax (VAT) refunds, I was pleased with the deadline of 31<sup>st</sup> July, where all the VAT refunds need to have been done. But I am skeptical because the main hindrances of tax refunds at the people are the Kenya Revenue Authority (KRA). My question to the Minister and I hope he will be responding to this is whether he has put this issue of the VAT refund in the performance contracts of the people in KRA, so that by 31<sup>st</sup> July, if the refunds are not brought forth, we would then follow it up, especially considering that given that it was in his Budget Speech, it is a matter that the Implementation Committee would be in a position to follow him as a promise that he has given to the House.

Mr. Temporary Deputy Chairman, Sir, one of the biggest hindrances to our economy and the business sector has been the poor security all over the country. I was, therefore, pleased that there was Kshs2 billion that was put aside to improve the security sector. I am, however, worried that that funding would only be used in purchasing hardware and forgetting the software for security. The software for our security is taking care of the personnel in our security sector. We are, probably, the only country in Africa where our security sector personnel do not have simple medical covers. If your bodyguard was shot today with you, he would have to go to the Kenyatta National Hospital (KNH) because the APs, police or whichever security agent that your bodyguard comes from, does not have a medical cover. So for me, I think it is one thing to buy hardware, but when the human being who is supposed to handle that hardware does not have job satisfaction, it would be difficult for us to fight the security problem. So, it is my hope and prayer that the extra funding that is going to the security sector should be included in looking at better terms for the police, the APs and the general security infrastructure, so that their salaries are increased and they have insurance covers. I would

also hope that, that funding would also be used to implement the security reforms with all those commissions that we have set up in the past that intended to deal with security.

Our economy is saturated in the high potential areas and so the investments that have been added in this Budget to the arid and semi arid (ASAL) areas are welcome. Somalia is a country at war and yet, they are able to export more beef than Kenya. In fact, an elder in Garissa was quoted as saying that the breakdown of the Somalia Government sealed the economic bases of the pastoralists in North Eastern Kenya because their main market was to export livestock hooves through Somalia. So, I was pleased that the Minister has put money to improve the ability of the Kenyan beef sector to meet the stringent requirements of the European Commission (EC). I would, however, wish that the Ministry of Livestock Development could be more adventurous and wholistic in their approach by getting to look at the sector of exporting animals on hooves to those countries with less stringent measures.

The issue of arid land agriculture, we are totally over-dependent on rain-fed agriculture in the high potential areas and have not invested enough in the ASALs. So, I am pleased that the Ministry of State for Development of Northern Kenya and other Arid Lands has been given some, though not sufficient, funding to deal with that area. As I said before, it is my prayer that our Committee system will hold to account that the promises that have been put in this Budget---

Mr. Temporary Deputy Chairman, Sir, finally, I am hopeful that something should be done about the dispute between the Kenya National Union of Teachers (KNUT) and the Ministry of Education because this Budget did not talk much about the teachers. That is an area that we need to invest more.

With those many remarks, I beg to support.

**Mr. Mbadi:** Mr. Temporary Deputy Chairman, Sir, allow me also to support the Motion that is brought before the House by the Deputy Prime Minister and Minister for Finance. Before I go into the specific proposals that he wants us to approve, I want to also say that it is true, as others have said before, that the Budget was prepared at a time that the economy is on the path to recovery. What we now need is, therefore, for the Government to embark on measures which would ensure sustainability and later accelerate economic growth in line with Vision 2030.

It is important to state that when analyzing this year's Budget, one needs to look at the two sides; the expenditure and the revenue. I think today what he has put before us is for us to look into the various proposals that would affect the Government's attempt to raise revenue and taxes.

Mr. Temporary Deputy Chairman, Sir, to be fair to the Minister, I think this year's Budget is a more progressive one, compared to last year's Budget. I say this because last year's Budget was more of a political Budget as opposed to a Budget that was meant to spur serious economic growth. I would say that even the growth that we realized of 2.6 percent was by accident, because most of the measures that were put in place, especially the Economic Stimulus Package, and which were supposed to spur economic growth did not take off. So, we cannot attribute any growth that was realized to the Economic Stimulus Package. What we ended up seeing were acts of nature like good rains, the tourism sector doing well and a bit of activity in the transport industry. But there was no deliberate attempt to spur economic growth.

This year, I am encouraged because the Minister has actually come to realize that for a country to achieve any meaningful economic growth, we need to emphasise on the private sector. The Minister's attempt to improve the business environment is commendable.

One hon. Member did ask: Which business environment are we trying to improve? When you invest more resources in the infrastructure of the country, you are improving all categories of business, including the small scale business, because, who does not need roads to do business? Even the person who is selling bananas will still need roads to do business.

Mr. Temporary Deputy Chairman, Sir, this financial year, the Minister has tried to put more resources to the development expenditure. There has been an increase of Kshs68 billion as compared to Kshs40 billion which was the increase on the Recurrent Expenditure.

The other issue that we need to ask the Minister to make sure that it is addressed is that the bulk of the amounts that come to the Development Expenditure need to go to the productive sector; there is a distinction between Development Expenditure and productive sector. Government definition of Development Expenditure even includes houses for District Commissioners and government staff, but the productive sector involves provision of roads, energy and water. We expect more resources to go to productive sector.

Secondly, I have heard many criticizing this Budget, that it is too ambitious and that we are probably going to borrow a lot. There is no country in the world that will ever develop without borrowing. Debt is inevitable. The only thing that we need to ask the Government to make sure that it enforces is that the money that we borrow needs to go to the productive sector and we avoid wastage. If wastage is avoided, and we put the money we borrow to the productive sector, we will achieve the desired economic growth.

Mr. Temporary Deputy Chairman, Sir, the only difficulty I have with this Budget is that we are too ambitious in terms of how much we expect to raise from taxes. As things stand, in the last financial year, we failed to achieve the targeted revenue collection. This year, we have even projected a higher revenue collection. We have based this on various tax reform measures, which have not been implemented, and some require legislation.

How sure are we that those tax reform measures will enable us to realize the targeted revenue from taxes? Chances are that if we fail to realize this revenue, and there is a shortfall, then the Development Expenditure is the one which will suffer, because normally, Recurrent Expenditure is never deferred. The Government will spend on Recurrent Expenditure, but the Development Expenditure will be affected.

So, the Minister must ensure that the various legislations that are supposed to be brought before this House are brought in good time, so that they are debated and passed in good time, so that they are implemented to help us achieve the desired economic growth.

Mr. Temporary Deputy Chairman, Sir, I also want to add on what others have said about the Value Added Tax. The Value Added Tax has been affecting business in this country. The delay in refunds is reducing tax compliance. The delay in the refunds is very costly to businesses, because the money that is locked up at the KRA from the businesses reduces cash flow of various business people.

It is important that the Minister moves with speed, as Ms. Abdallah, has said. I think there is need to ensure that KRA refunds the Value Added Tax in good time. If possible, a policy should be devised to make sure that there is offsetting of the VAT payable to businesses against the VAT due, so that these business people are not affected.

Mr. Temporary Deputy Chairman, Sir, lastly on the same note, I want to put it that I still believe that, as a country, we have not eliminated corruption in terms of revenue collection by the KRA. There are still pilferages. I do believe that, as a country we can still collect more revenue in terms of taxes if we could seal all the loopholes. Therefore, it is important that the Minister moves with speed to ensure that there is a move to automate many activities of the KRA. This needs to be done so that we can eliminate or reduce significantly, corruption that is making us, as a country, lose quite a bit of resources to corrupt individuals.

I conclude by supporting the Minister's Motion.

**Mr. Baiya:** Thank you Mr. Temporary Chairman, Sir, for giving me the opportunity to contribute to this Motion. I would want to begin by thanking the Deputy Prime Minister and Minister for Finance for presenting a Budget that was thematically coherent and very elaborate. It set out to take the country forward in terms of the background of anticipated economic recovery, particularly following the decline that this country experienced as a result of post-election violence and also the drought that we experienced last year.

The Minister noted quite well that the background of rains last year, which have continued to this time, provided an overall environment in which the country can make huge strides in terms of economic recovery and sustained growth.

Nonetheless, I still feel that there are serious concerns when hon. Members say that the Budget, as presented, was over-ambitious. This stems primarily from some of the assumptions that were apparent on the Minister's presentation. For instance, while reviewing the global economic scenario, the Minister projected that the world economy was expected to pick up from a growth rate of 0.6 per cent registered in the last financial year to about 4.5 per cent.

That is a very huge anticipation. He did not spell out measures to be taken, especially on the global scene to base that expectation on. But it is also clear from anybody who has been following what has been going on at the world economy level since the economic and financial meltdown took place in 2007/2008, starting from America. The world Government, especially of the developed economy experienced serious crisis when their banking system came down collapsing forcing those governments to embark on bailouts which meant that they had to take money from their own Treasuries to support those banks. That process has reached a pace where all these governments are experiencing serious debt problems. These problems are impacting negatively on countries such as Greece, Spain, Iceland and the rest. Right now, most governments are now embarking on austerity measures. They have abandoned stimulus programmes. These austerity programmes entail cutting on social spending on matters such as education, health and so on with a view to bridge the deficit.

With that kind of background, it is not apparent, how they are going to sustain this growth from 0.6 to about 4.5. Based on that, we expect that there will be a lot of challenges on the world economy. The expectation that we will raise the borrowed amount of about Kshs80 billion from foreign sources may really not hold. We may also



experience problems, if the world economy is also experiencing contraction in terms of other aspects of horticultural exports and tourism. These are all issues the Minister was referring to severally on the world scene. They have not really been factored in terms of the Budget. That is why the projected revenue growth looks ambitious and may not hold in the long run.

Related to that, I would also want to thank the Minister for the proposals he has made to enhance food security in this country, including expansion of food production through irrigation and none reliance on rainfed agriculture and also the process of drying food, especially cereals to avoid wastage which we have encountered in this country. One of the biggest challenges farmers experience even now is the fact that whereas the Government is urging them to produce and even assisting them with inputs, when it comes to the actual disposal of their produce, the Government has neglected its very key responsibility, particularly through buying cereals through the National Cereals and Produce Board (NCPB). The Government is supposed to build up the country's strategic reserve. According to the Government's projection, the country is supposed to hold, at least, in the case of maize, reserves of up to nine million bags. If you look at the current levels of the strategic reserve, they say they have less than three million, yet farmers everywhere are complaining.

With those few remarks, I beg to support.

**Mr. Ogindo:** Mr. Temporary Deputy Chairman, Sir, I rise to support the Minister's proposals on the tax regime.

First and foremost, I want to thank the Minister for his Budget presentation. I want to take off by looking at the assumption that he used to build his Budget. One of the assumptions is that there will be a growth rate of 5.1 per cent. This is coming against a background that in 2008, we had a growth rate of 1.6, which was followed by a growth rate of 2.6 per cent. As a patriotic Kenyan, I would want to see a growth rate of about ten per cent. But I know this can only be achieved progressively.

For him to project a growth rate of 5.1 per cent, I think is slightly ambitious. That means a lot of work will have to be done on our taxes. It is on that account that I want to support the proposed amendments on our taxes. There are proposals to streamline the VAT tax, which is a key source of our revenue. In the last financial year, we collected a total of Kshs146 billion. There is a projection of Kshs172 billion. For that reason, I want to support the reforms that have been brought in the VAT regime.

Mr. Temporary Deputy Chairman, Sir, I want to point out that the Appropriations-in-Aid (A-in-A) is significant source of revenue. But they are very liable to abuse. In one of my findings, I was able to speak with a District Accountant. I asked him: "How do you remit your Appropriations-in-Aid?" The answer was that they normally bank this in an account. I asked him: "Do you get a receipt in return?" He said: "No, we only get a banking slip." It is imperative that every time money is given, there is a receipt issued. To that extent, I want to urge the Minister to streamline collection of A-In-A so that we can maximize on this area. My suggestion is, it is important that a separate account be opened where this can be collected and reconciliation done.

I want to commend him for coming up with an amnesty on the remittance by the people in the diaspora. I want to say that this is an opportunity for every Kenyan, including those who might have kept their money outside to take advantage and bring back their money for investment back home. We are continuing to create a conducive

environment with better returns for your investments here than outside there. Of course, this notwithstanding how the money got there.

I also want to say as we pursue improvement of tax regimes, behind scenes I hear negotiations on the Economic Partnership Agreements (EPAs). I want the Minister to be vigilant on these areas so that we do not get into tax regimes that are going to undermine our economy. Going through the proposals of the EPAs one sees a situation whereby we are going to end up with a net capital flight and kill our economy.

Mr. Temporary Deputy Chairman, Sir, I also want to point out that it was conspicuously “missing” that the Deputy Prime Minister and Minister for Finance did not expressly refer to corruption as much as he talked about improved governance in his Speech. I think corruption is a key area that we need to continuously address. To this end, I propose that we change our approach. The traditional approach of trying to arrest corrupt people has failed because it becomes impossible to lead a billionaire to Kamiti Prison. We should put more emphasis on trying to recover the billions that have been looted. I am made to understand that Mr. Devani was able to come in and move out and so was Mr. Kamani. It is important that necessary steps are taken with a view of sourcing these people to remit back the money. We have seen this happen practically. The Treasury is on record as having told us that money was wired back. If that trend continues, we will get more than going the traditional way of pursuing them with a view of taking them to Kamiti. Of course, after we build enough evidence we can do what is best done to thieves.

The Deputy Prime Minister and Minister for Finance proposed his endeavour to create employment and a revolving fund of Kshs3.8 billion. I have seen previous attempts to stimulate the SMEs and empower youth and women. However, the tendency has been that the decentralized portions of these funds remain concentrated in certain regions. To this end, I would like to suggest that this initiative will have more impact if it is decentralized. This is because different regions have unique characteristics. The way somebody from North Eastern views enterprise is not the way somebody from Nairobi does. To subject them to the same requirements amounts to undermining the liberation of somebody from North Eastern Province.

Mr. Temporary Deputy Chairman, Sir, I would like to talk about food security. In his Budget Speech in the last financial year, the Deputy Prime Minister and Minister for Finance indicated that steps would be taken to ensure that our agriculture is mechanized. I want to congratulate him because we have seen irrigation going on. We have also seen improved seeds. However, we are yet to see mechanization. I urge the Minister to pull up his socks on the side of mechanization and increased field services.

Last but not least, we are looking forward to a continuation of the Economic Stimulus Programmes (ESPs) because through this we have had our youth employed gainfully and productively. It is important that more money be availed in areas that bring out productivity which will also contribute to the GDP.

Mr. Temporary Deputy Chairman, Sir, with those remarks, I support the Deputy Prime Minister and Minister for Finance on his proposals.

**Mr. C. Onyancha:** Thank you, Mr. Temporary Deputy Chairman, Sir. I also rise to support this very important Motion. I also congratulate the Deputy Prime Minister and Minister for Finance for the Budget that is quite new in terms of value and vision.

However, I have a few worries that I have to bring to the attention of the House and the Deputy Prime Minister and Minister for Finance. The first one is lack of marriage between the current Budget, the MDGs and the Vision 2030. I would have thought that we would be building towards meeting the MDGs in 2015 as much as we have failed in many of them and then have the link to Vision 2030. However, that did not quite come out in the Budget and that is a cause for worry whether we are diversifying or going out of track. We have heard of promises such as “Water to every Kenyan by the year 2000” go down to the drain, but we must keep our minds focused on projects and visions that we have already been party to in terms of formulation and presentation.

On tax reforms, the Deputy Prime Minister and Minister for Finance has got it right. We need many tax reforms to be put in place in order to collect the sums of money that we need for development. In this regard, I think the formation of a Tax Reform Commission is a welcome idea which the House should support wholeheartedly.

The East African Community (EAC) or the common market for East Africa comes into being essentially on 1<sup>st</sup> July. This is an opportunity that, again, has not been well addressed by this Budget. I do not know how we will take advantage of the larger market. I also did not feel that there was any move towards harmonization of the rates of tax of the various members of the Community. This is because without rationalization and harmonization of the taxes and the rates of taxation of these Community members, we will have disparities in terms of capital flight and market preference. That is an issue that needs to be addressed rather urgently.

I am very happy to note that inflation rates are coming down and interest rates are consequently coming down. However, the underpinning of this Budget, that is, the GDP growth of 5.1 per cent is a cause for worry because it presupposes that conditions are perfect and stable as they were this year and subsequently, maybe, up to the end of the Budget cycle. The worry is that with the little instability, the 5.1 per cent may not be achieved. The non-achievement of this growth rate will mean that to be able to realise the programmes in the Budget, it will be necessary to borrow, probably, domestically to be able to bring to fruition the development programmes in the Budget. If that is the case, it will mean that there will be less money for the private sector. There will be crowding out and a reversal of interest rates upwards. This will again be an issue with respect to new investments because high interest rates discourage investors. That is a worry I would like addressed.

The issue about the same-gauge railway being in place in the near future is very welcome news because it will relieve the roads of the burden of heavy cargo and hopefully last longer.

Mr. Temporary Deputy Chairman, Sir, one of the areas that were not quite well addressed in this Budget is research. Our universities do not seem to have been considered in funding for research. If we are going to gain in terms of industrialization and development, we must invest in research.

Mr. Temporary Deputy Chairman, Sir, the other area is civic education. We are not going to kill corruption which, as the hon. Member said here, was not mentioned strongly, if we cannot educate our people to guard against corrupting public officers.

Mr. Temporary Deputy Chairman, Sir, the other area is police reforms. I know that these reforms are going on. But if it is in terms of personnel only, we will still be a far cry from achieving our needs in terms of efficiency in the police force. We need to

equip them and have more numbers. Indeed, when you go to a police station and find that the vehicle which is there was registered in 1965 and can hardly move, you cannot really expect much help. This is an issue which needs to be addressed. Maybe we can put them on motorbikes. At least, every five policemen should have a motorbike.

Mr. Temporary Deputy Chairman, Sir, we cannot really progress if we do not have judicial reforms in place first and foremost. Property rights are not respected because the Judiciary is not functional. If they are not respected, we cannot attract investment into this country. That is another issue which needs to be looked at.

Mr. Temporary Deputy Chairman, Sir, then there is the issue of idle labour. To be able to maximize development, we need to look at a policy that addresses the issue of our Armed Forces and prisoners not participating in productive work in the absence of war for the Armed Forces and the prisoners having programmes, especially farming programmes to be able to feed themselves and actually have surplus for sale. It is an issue which, maybe, needs to be looked at.

On agriculture, I want to congratulate the Deputy Prime Minister and Minister for Finance on the measures he has taken about driers and improving agricultural production generally. But I would hope that it could also extend to cooling plants for every constituency, so that we can have less wastage of milk when it is produced in large quantities.

Mr. Temporary Deputy Chairman, Sir, the Economic Stimulus Programme (ESP) was an excellent idea which has delayed mainly because of delays in procurement and also public officers in the Ministry of Public Works, who are rather slow in terms of giving out advice and bills of quantities for construction and also the correctness of it. That is an issue which, I believe, needs to be addressed quite urgently.

Mr. Temporary Deputy Chairman, Sir, there is also the issue of the Interim Independent Electoral Commission (IIEC). I would have hoped that there would be more funding for this institution, so that every constituency in the next voting round will have electronic voting to avoid the problems we had after the year 2007 elections. I hope that these measures can be addressed.

Mr. Temporary Deputy Chairman, Sir, I would like to conclude by saying that efficiency in the Ministry of Finance alone is not sufficient to produce the amount of development we need. We must also have other departments being efficient. I have a case in mind right now of the Registrar of Companies Office where for the last two months no company has been formed because they are computerizing. I would have thought that they would be running parallel. It is instances and departments like those which delay development. I would urge the Minister to follow up that.

Mr. Temporary Deputy Chairman, Sir, I beg to support.

**Mr. Konchella:** Thank you, Mr. Temporary Deputy Chairman, Sir, for the opportunity to contribute to this very important Budget process. I also want to thank the Deputy Prime Minister and Minister for Finance for the very able way he is managing the Ministry. Today, I think Kenyans look at him as one Minister who is doing his job.

Mr. Temporary Deputy Chairman, Sir, I wish to also thank the Deputy Prime Minister and Minister for Finance for what he has done to marginalized areas, particularly arid areas in terms of livestock production, on the issue of abattoirs and even hides and skin processing plants. I think this way of trying to bring that economy into the mainstream economy will increase the Gross Domestic Product (GDP) of this country

and provide livelihood to people who have hitherto not been part of the economy of Kenya. I would like the Deputy Prime Minister and Minister for Finance to know that marginalized areas are the future of Kenya. If he seriously continued to support this part of Kenya, we can actually increase our GDP and even future Government funding will run into the threshold of trillions and, therefore, provide Kenyans with a livelihood.

Mr. Temporary Deputy Chairman, Sir, the areas that the Deputy Prime Minister and Minister for Finance needs to address and needs more support is the issue of minerals and tourism. Kenya is endowed with a lot of minerals. Unfortunately, our minerals are under the black market trade and not in the formal economy. We can grow our GDP by between 6 and 10 percent if we actually brought in international companies which can come and mine. This is because we have so many minerals in this country which are not known to the Government. We have not even bothered to map the country in terms of minerals. Our country's neighbours, that is, Uganda, Tanzania and Ethiopia, are well advanced in this area. They know what they have on the ground and are exploiting them through inviting people to come and invest in these areas.

Mr. Temporary Deputy Chairman, Sir, that said and done, I want the Deputy Prime Minister and Minister for Finance to seriously look at the issue of Kenya being investor-friendly. Foreign investment here is a shame and nightmare. For a foreign investor to come to Kenya and get a licence in order to set up production here is almost impossible, because of corruption. We are denying our people the opportunity for employment. We are also denying the country budgetary funds to develop it. We are simply confining our people to poverty simply because of corruption. Most of these areas, for example, minerals are handled by very few people. They sneak in minerals from other countries because when you look at our export of minerals, it is incredibly high. If it was actually properly accounted for, this country would benefit.

Mr. Temporary Deputy Chairman, Sir, the issue of tourism is also very important. If you look at South Africa today, they would show adverts on the Maasai Mara and the Wildebeest migration and then they would say it is in South Africa. They do not want to say that what they are showing is actually Kenya. So, I think we should do much more to sell our tourism so that more tourists can come here. But I think it is more important to have a secure and stable country where people can come. When we see bombs being used - and the insecurity all over the place because people who do not want the country to move forward, we deny ourselves the opportunity to develop. We also deny this country and our children the future. So, hand in hand with tourism is the issue of security. Security is so crucial to the development of tourism. We need, as a nation, to really put a lot of effort in terms of security and ensuring that our visitors have a very good time when they are here in Kenya.

Mr. Temporary Deputy Chairman, Sir, I want to also thank the Minister on the issue of infrastructure. Indeed, the Government has put a lot of money to develop our highways, but I think we can do much more. While we continue developing the highways, which I do agree, let us also put a lot of money into the Constituencies Development Fund (CDF), so that we can murrum our roads. This will open up roads and, hence, we can reach more Kenyans.

Mr. Temporary Deputy Chairman, Sir, while we talk about food security, we have a lot of problems with storage of maize. In my own constituency, there is more maize lying in homes because my people have nowhere to take or sell. I understand that the

National Cereals and Produce Board also is not able to purchase the produce from the farmers.

I would want the Deputy Prime Minister and Minister for Finance to look at this area because if you discourage farmers by not buying their produce, then they would stop growing. Right now, we are about to harvest another crop of maize in my constituency, Kilgoris, and yet there is enough maize lying at home and nobody is buying it. I am asking the Deputy Prime Minister and Minister for Finance to create storage facilities in some of the high potential areas so that farmers can take their maize there. As the Minister indicated in the Budget, the farmers will be allowed to store their maize in Government silos. That is a commendable proposition. However, there are no adequate facilities as it were for them to use. So, we need to expand by construction of more stores.

As I said, Kenya being an investment destination, I would want the Minister to concentrate on that in the next financial year because we are losing a lot of investments to other countries and our neighbours because they are friendly to investors.

I am happy about the proposed Constitution because it is addressing the issues of resources. When we devolve resources to people, we are saying that we want people to invest in their own home area. We do not want them to run around. We are telling them that we have a budget that allows them to invest in their home area and develop that capacity and expand the economy. I am happy because even the proposed Constitution addresses the issue of the Bill of Rights which will create a different way of preparing and interrogating the budgets.

I was in Brazil about two weeks ago. In their Bill of Rights which is very similar to what we are trying to have in this country, every citizen of Brazil must have access to food. So, you are entitled and you are given a card by the Government. If you are poor, you can go to any restaurant and eat food. The restaurant owner sends the bill to the Minister for Finance; hopefully it will be similar in our county in future, so that Government can pay the bill. Everybody has a house to sleep in. When you look at the amount of corruption that is going on in this country, the amount of looting of national resources and the money in the hands of people outside Kenya, you will see that it is enough to allow this country to build every IDP a house or every person who does not have a place to live in. According to the proposed Constitution, it will be the right of every Kenyan to ensure that they have a house, a place where he can live with his family. Even when we are constructing our roads, for example, here in Nairobi, many people are dying because of being crashed by cars. The roads are so narrow. We should design systems where if one is constructing a road in this country, you must provide walkways for people and bicycle lanes so that Kenyans can live and go home in peace. Many children are being killed as they go home today. This is because we do not design our road networks to provide for pedestrians or even care for the poor. These are the issues that I want the Deputy Prime Minister and Minister for Finance to focus on in the next Budget. We are happy because the Deputy Prime Minister and Minister for Finance is serious about his job. I think Kenyans are very proud of him because he is delivering on the promises he made.

Thank you. I beg to support.

**Mr. Mututho:** Thank you, Mr. Temporary Deputy Chairman, Sir. From the look of my boss, my party Chairman, he would wish that I speak for half a minute. However, I will speak for twelve minutes so that he can get the points.

**The Temporary Deputy Chairman** (Mr. Imanyara): You have ten minutes.

**Mr. Mututho:** Yes! I will speak for ten minutes.

Mr. Temporary Deputy Chairman, Sir, looking at this Budget, it is exciting because it will help many people, particularly the farmers. However, there is one area, as I support the Budget that the Deputy Prime Minister and Minister for Finance needs to review. This is on wheat. By banning Import Duty on wheat, you are saying that the farmers in Narok and other areas will not be able to sell their wheat. We already have a lot of wheat which is stocked in our stores and warehouses. As the Chairman for the Departmental Committee on Agriculture, Livestock and Cooperatives, I can confirm to the hon. Deputy Prime Minister and Minister for Finance that we have adequate wheat. This year, growing of wheat has been very expensive because of wetness. The fact is that it is now much more expensive and we have a bumper harvest for wheat. The millers will not be able to buy from our farmers and that will be a disincentive. So, I would like to persuade his mind as far as that is concerned.

I would also like him to look again at the issue of maize. Maize has become a tool for corruption where few people become rich and a tool which destabilizes the whole economy and the core business of this Government. We cannot run a Budget when people are planning how it will fail due to food shortages. In respect to the pending purchase of the aflatoxin maize and the rotten maize, this is a fallacy. There is nothing like 2.3 million bags of rotten maize anywhere in Kenya. However, it is a fact that people want to consume that money. So that money should not be provided for from the Exchequer unless somebody is able to prove and show the quantities. I am saying this very firmly because I know about the harvests and storage of maize. There is nothing like 2.3 million bags with aflatoxin. Let us stop playing politics on such dangerous issues as food.

Aflatoxin exists. That is a fact. However, the Ministries which are responsible including the Ministry of Public Health and Sanitation – I am glad that our sister is here – should come and do traceability tests. Traceability test tells where the genotype of maize came from. To me, the conclusion is clear that this is imported maize. It is maize that we have said is Genetically Modified Organisms (GMO) time and again. One needs not be lazy to go to the Ministry of Agriculture, Ministry of Fisheries Development and the Ministry of Forestry and Wildlife and see how many permits have been issued to Kenya, from permit No.032, 033 all through to permit No.037. This is GMO maize. There is nowhere else in the world where even rats and dogs are allowed to use that maize. It is only in Kenya and Brazil where this has happened. Brazil took 30,000 metric tonnes for bio-fuel. However, In Kenya, whereas France, Germany and other civilized parts of the world were taking 2.5 kilogrammes or 5 kilogrammes, Kenya has taken a whopping 280,000 metric tonnes. That is equivalent to 3.6 million bags.

A company which is importing maize is also distributing the same. This is my worst fear and nightmare. The company which is distributing this maize is also distributing to our local millers. So, in other words, Kenyans have been fed with GMO maize and the Government has refused to collect its duty with regard to that. First and foremost, the Minister should move to cause prosecution to these people and recover the duty that has been stolen from Kenyan taxpayers by people who are masquerading to bring in clean maize whereas they know that they are bringing in rubbish. This includes

the maize which was brought to Nakuru by MV Siam Opal. The maize had a moisture content of 15.25 per cent which is far away from the required levels.

In 1963, during the reign of the founder of this nation, the late President Kenyatta, we heard that there would be a road to Moyale. That song has been going on through Moi's regime all through to the present time. The Arab Bank was supposed to do it. The song is still going on. Could we now have an affirmative action in terms of the requirements so that we open up that area so that our economy does not drain but instead utilize that area for economic gain? I am saying this because I know that as much as we may want to look at security requirements and whatever is required, as long as we cannot access that part of our land, we are doomed. I want to thank the Deputy prime Minister and Minister for Finance for the much money he has put in roads and highways. However, this should be structured in a way that we can open up Kinangop, Elburgon, Narok, Timau and other areas where we have produce.

Mr. Temporary Deputy Speaker, Sir, finally, there is the issue of Mwea Irrigation Scheme. Everybody knows that the rice mill at Mwea is very big. In actual fact, Mwea which produces 80 per cent of the produce that we get has that mill plus other many small ones because of history and a myriad of problems. Now, I do not think the Minister was right in coming up with more money to put up another mill. Instead, that money should be reallocated to that sector to work on the challenges to do with water supply and distribution. But we cannot go on to pump in new equipment in an area that already does not have a problem with the same.

The same can be said of housing. The nearly Kshs1 billion voted for housing is too much. We need to use the same Kshs1 billion and have about 20 abattoirs because the final consumer is actually the Kenya Meat Commission (KMC). This is so that we have a functional and hygienic slaughterhouse and cold room that can preserve stocks up to three and six months. With that and roads improvement, then we can bring all the carcasses all the way to KMC and the head office for that particular matter. However, as it is now, even if we build a big abattoir it will be just what we did at Nginyang' where we built a big National Cereals and Produce Board (NCPB) supporting 50,000 bags and fully equipped but the last time they had maize there was about 24 months ago. The one at Marigat has a storage capacity of 80,000 bags but the amount of cereals stored there is about ten bags. This is a situation we should try to avoid in this Budget.

Mr. Temporary Deputy Speaker, Sir, all said and done, I think that the Budget Office and particularly the Minister should appoint a body as sharp as Price Waterhouse to summarise what hon. Members have been saying on the Floor of the House so that the next Budget reflects the wish of the Members of Parliament and also those of the people of Kenya.

I support. Thank you.

**Mr. Muthama:** Thank you, Mr. Temporary Deputy Speaker, Sir. I want to take this opportunity also to congratulate the Minister for Finance for the Budget he presented to this House for this financial year. It is the first time in this country that we are realizing that Kshs1 trillion can be spent in the Financial Year 2010-2011. This was unexpected and I also want to congratulate the Minister for coming up with ways and means of collecting taxes to make sure that the Budget is realized.

Mr. Temporary Deputy Speaker, Sir, this money we are spending is truly reflective of Kenyans especially businessmen. We are talking of spending probably



Kshs1.5 trillion. The reason I am saying that is because there was a big amount of money used to purchase land and up to today, there is that big problem of purchasing contaminated maize. I want to say that in the region where I come from, it is not the first time we have produced maize. We have been doing this before and we were able to store our maize for even one year without having any problem whatsoever. From the time this maize was harvested, it is hardly three months ago and we are being told that the maize is poisonous and contaminated. It is very clear that there was a consignment of maize that came to the Port of Mombasa. It was tested and found to be contaminated and a lot of issues were raised. It is the second time that allegations have come up that, that maize will be destroyed. A ship carrying this consignment went round and in my constituency, 25 trailers full of contaminated maize were returned back to Nairobi. Up to now, there is no clear message to show that the maize was destroyed or taken back to its source. Today, we are being told that there is money being set aside to buy contaminated maize. I want to be quoted in this House saying this: There is no contaminated maize.

**The Temporary Deputy Speaker** (Mr. Imanyara): Sorry Mr. Muthama! Order! In the event that some of you have forgotten why we are here, we are discussing taxation measures specifically Excise Duty, Value Added Tax (VAT), Income Tax and miscellaneous fees and taxes. The rules require that we be relevant. Please, kindly be advised.

**Mr. Muthama:** Thank you, Mr. Temporary Deputy Speaker, Sir, the issue I was raising actually concerns the money being spent. I will dwell and stick on the issues of taxation. I want to say once again that the directives that have been given by the Minister, if they are going to be adhered to in terms of collecting taxes, the country will be able to spend enough money and probably improve the economy of the country.

With these very few words, I beg to support.

**Mr. Ngugi:** Thank you, Mr. Temporary Deputy Speaker, Sir for giving me a chance to also support this Budget and also congratulate the Deputy Prime Minister and Minister for Finance, because I know it is not an easy job. Having said that, I have looked at this Budget and I have a few concerns. One of my concerns is that you cannot run a country when you are borrowing. We have borrowed heavily in this Budget and unless we have a Budget that is self-sustaining, we will go on mortgaging this country for a long time.

Mr. Temporary Deputy Speaker, Sir, this Budget only favours the business community but for us from Central Province who sell milk on which taxes would have come, there was nothing for us. Just a few months ago, we were pouring milk and yet in this Budget, there was nothing to address this problem or that of potatoes and cabbages. If this Budget had addressed the issue of milk, then the Minister for Finance would have got a lot of taxes from the sales we would have made.

Mr. Temporary Deputy Speaker, Sir, I think it is high time that we saw a Budget that favours most people as opposed to a few people. The business community is able to go to the banks and borrow money and do their businesses but the farmers need a lot of support. We need to resuscitate our farming institutions. A lot of research stations like the one in Njabini are lying idle. If we did this, then we would be able to get more taxes from this end.

With those few remarks, I beg to support.

**Mr. Kathuri:** Thank you, Mr. Temporary Deputy Speaker, Sir. I also want to add my voice in congratulating the Minister for Finance for a job well done, but I will want to make a few comments touching on the same. There were a few issues which in my view were captured in the 2009 Budget but this time round, they were not revisited and implemented. One of them was the instant ticketing. It is an issue which I would imagine our hon. Minister would have gone into and tell us why he could not implement it. We need to see more accountability, more so, in the transport sector because the Government is losing a lot of revenue. It is an area of concern because the way it is now, it allows for so many loopholes and I believe the Ministry can collect more money.

Mr. Temporary Deputy Chairman, Sir, the Minister also promised us that procurement would be streamlined whereby market prices would be the benchmark. A pen should not cost Kshs100 when we know that it can cost Kshs20 or Kshs30. We are yet to see that being implemented. We have been losing Government revenue through price inflations. The prices of goods and services have been inflated all over, be it in the Ministry of Roads or the Ministry of Lands. In any procurement, the Government loses a lot of revenue. That is an area where he had promised us to streamline, but we are yet to see something being done.

I have an issue with the taxation of beer. Increasing the Excise Duty from Kshs45 to Kshs55 on non-malted and malted beer, respectively is a good idea. However, I imagine that we would have done better if we targeted cigarettes and soda. Through taxing beer, there is one big disadvantage to those who consume it. Fortunately, I do not consume beer, but for those who consume it, they have an alternative to the high quality beer. When there is an alternative, it means that, at the end of the day, when you raise tax on beer, you subject our ordinary Kenyans to consuming low quality beer. That way, we make them counter-productive. I wish we increased tax on cigarettes because there is no option for cigarettes. I wish we went for sodas because if you do not take a soda, you will take water and you even become healthier.

Mr. Temporary Deputy Chairman, Sir, it is also good to accept that life has become very expensive, more so, for the ordinary mwananchi. It would have been good if the Minister raised the threshold of the low income earners, so that those who pay taxes would be those who earn above Kshs40,000 or Kshs50,000, so that even if tax starts at Kshs10,000 or Kshs11,000, with a bit of relief, he could adjust upwards. Then we can cushion the low income earners to make them a bit more comfortable.

There was also the issue of bonded vehicles. I wonder what happened. We are yet to see anything realized from that. Some of the Ministries and parastatals are still using expensive vehicles. I wonder who is more senior between a Chief Executive of a Government parastatal and an Assistant Minister or a Minister. I think there is an overlap and this is an issue which ought to be sorted out because, at the end of the day, it ends up giving us the undesired results.

Mr. Temporary Deputy Chairman, Sir, it is also good to realize that maize prices, much as it may not be on this, is of concern. It is very important for us to accept the fact that when we lower the price of good quality maize without any good reason, it gives an impression that the Government cannot afford to pay the farmers. When we do so, we discourage the farmers from producing more. We will always get into perpetual shortages and this will not augur well for our country in the long-run.

With those many remarks, I support.

**Eng. Rege:** Thank you, Mr. Temporary Deputy Chairman, Sir, for giving me the opportunity to also add my voice in supporting this Budget. I want to support the Budget because for the first time, we have gone past what we had expected to be the real Budget. In other words, the Minister has brought in some money that we had no idea that we had. Instead of leaving that money for misuse, that money will now be used for constructing roads and schools. I, therefore, really support him for doing that.

However, I would like to comment on the money that has been allocated to energy. We are looking at Vision 2030 with energy that Kenyans can afford. If we do not take action right now to invest in energy research and production, we will not satisfy the industrial requirement in this country. I am talking about the money allocated to geothermal. Right now, the Geothermal Development Company (GDC) is spending Kshs5 million to Kshs6 million in contracting foreign firms to sink the gas that is required to generate energy. If the GDC received enough cash, we would save this money. They would buy their own rigs and sink the wells that they need and save Kenyans money. I am appealing to the Minister to find some ways and means of bringing in the required Kshs15 billion for the GDC to get what it needs to develop the energy sector.

Next, I want to talk about ICT. I want to commend the Minister this time for giving us what we needed. Last time, we rejected the mobile buses because they were not good for Kenyans. Kenyans do not have roads that lead to all secondary schools. We, therefore, thought it wise not to allow that project to go on. We pleaded with him and now he has given us 300 computers per constituency, which I think for a start, we will have something to give to the students and the pupils to, at least, start some serious ICT learning. I say so, because now we have the syllabus from the Ministry of Education and schools at all levels can actually listen to physics and sciences being taught from one centre. This is the way to go. However, I want to request him to also look for some money to give to the constituencies to construct classes or rooms where these computers will be installed, otherwise, they will catch dust or be stolen. So, I plead with him to look into this issue.

Lastly, with regard to education, I wish to plead with him to find some money to recruit teachers, especially in schools which do not perform well. Many schools did not perform well because they do not have adequate teachers. If we want to achieve the Vision 2030, we must employ more teachers.

With those remarks, I support the Motion.

**Ms. Karua:** Mr. Temporary Deputy Chairman, Sir, I rise in support of the Motion, but I am very sceptical of the governance improvement measures that the Deputy Prime Minister and Minister for Finance has proposed because, unless he really has concrete proposals to improve governance, the tax collected will not end up benefiting Kenyans.

As the previous contributor said, the spending on ICT for Kenya Revenue Authority (KRA) is commendable, but why is there a slow rate of using the ICT in complying with the taxation measures? I think using ICT measures should be compulsory, so that filing of tax returns and whatever else is done by KRA can become more transparent, and can reduce the opportunities of rent seeking.

The slow rate of embracing ICT by the Government in all areas is because there are people within Government who want to resist any measure that can reduce or

completely eradicate the opportunities for rent seeking. So, we expect the Minister to push and ensure that all the measures that are aimed at improving governance are improved.

Mr. Temporary Deputy Chairman, Sir, I see exemptions from taxation of funds by insurers. The Deputy Prime Minister and Minister for Finance is thinking too much about those who are already able. He has recently allowed the insurance industry to raise premiums on vehicle insurance by almost double. It is really regrettable that he has given such a burden to Kenyans. Even though in the *matatu* industry there may be accidents arising for individual drivers, the incidences of accidents are not as many.

Giving tax exemption to insurance companies and, on the other hand, allowing them to raise premiums and punish motorists is not conducive to the wellbeing of the majority of Kenyans. We expect that at any time the insurance companies want to raise the insurance premiums, there should be some form of public consultation, and not an in-house measure.

Mr. Temporary Deputy Chairman, Sir, all in all, I have no quarrel with the taxation measures except that for those who were late in registering their documents, the penalty on Stamp Duty should not be made any less, because we would be encouraging people not to do the right thing. However, reducing the Stamp Duty that new home owners are required to pay is commendable.

Let the Deputy Prime Minister and Minister for Finance make proposals that do not take us backwards in terms of compliance. Allowing latitude not to comply is not a way of streamlining the efficiency of Government and the efficiency of the citizen in paying taxes on time.

With those remarks, I beg to support.

**The Deputy Prime Minister and Minister for Finance (Mr. Kenyatta):** Mr. Temporary Deputy Chairman, Sir, I want to thank all the hon. Members who have contributed to this Motion. I will touch on a few points which have been repeated by a number of hon. Members.

On the issue of interest that banks charge borrowers, that is why we are talking about the need to bring about strengthening of our own financial regulations in order to create fair competition amongst banks in our country. We are also encouraging banks themselves to also merge and create greater capacity and greater strength and at the same time creating more opportunity for our small and medium enterprises through encouraging and strengthening micro-finance institutions, and also by extending their outreach. These are some of the measures that the Government is taking in an attempt to ensure that credit is made available at affordable rates.

Mr. Temporary Deputy Chairman, Sir, there was an issue about tax amnesty, which was raised by Mr. Shakeel. The tax amnesty that we have given is not a question of rich or poor. This is just to enable Kenyans in the diaspora to remedy their monies by investing in instruments, property and in industry, so as to boost our own economy.

It is to encourage Kenyans abroad to invest in Kenya. That is really what drove us to provide for that tax amnesty. It is really not a question of benefitting the rich or the poor. These are Kenyans who live abroad. They have accumulated wealth abroad. We are giving them an opportunity to invest those monies in the country so as to create employment for our people.

Mr. Temporary Deputy Chairman, Sir, there was the question of whether this Budget is pro poor. It is, indeed, pro poor. We have instituted a number of measures. To highlight just a few, there is the issue of removing the Advance Tax to matatu drivers and conductors. There is the issue of reducing Import Duty on rice. There is the issue of reducing Import Duty on wheat. All this was done in an attempt to ensure that we reduce the prices of basic commodities to our consumers.

We also tried to ensure that the unfairness that was in the tax system for matatu drivers and conductors is removed with a view to encouraging them to use those surpluses for bettering themselves as Kenyans.

Mr. Temporary Deputy Chairman, Sir, there was the issue of maize. As Government, starting from the Budget that we read last year, we have instituted a number of measures aimed at encouraging our farmers through provision of seeds and fertilizers. We are aware of some of the problems that farmers are facing, especially in the Eastern and Coast Provinces of our country, with regard to poor service. Again, those are some of the reforms we are hoping to bring through.

We are trying to come up with a new system of encouraging proper storage through introducing warehousing system, and introducing commodity exchange, so that farmers can be able to not only store their maize but also ensure, through commodity exchange, trade not necessarily the physical stocks but through notes, so that the farmer can be free to sell his produce as and when he or she pleases, or when the price is right for the farmer.

Mr. Temporary Deputy Chairman, Sir, there was also an issue raised on the proposal to encourage investment. We have also, in this Budget, introduced the Business Regulation Bill, which we hope this House will pass. This is aimed at ensuring that the issue of the ad hoc way in which new licences are introduced and new fees levied is addressed. We intend to have all these issues harmonised in order to create a much friendlier environment for not only foreign investment, but also local investment and encourage creation of employment for our people.

There was the issue of allocation to the agricultural sector. As I mentioned yesterday, we should not look at agriculture as the Ministry of Agriculture but rather look at agriculture as the agricultural sector. If we were to look at agriculture as the agricultural sector, one would note that we have, indeed, allocated massive amounts of money that are going towards developing our agricultural sector with full recognition of the fact that it contributes about 23 per cent of the Gross Domestic Product (GDP).

The agricultural and wool development sectors, for example, have received Kshs3.9 billion, which is about 4 per cent of the total expenditure. If you add what we have put in water and irrigation, and in environment, you will see that we are talking about 10.3 per cent of the total expenditure, and the Kshs2.9 billion is a very small amount. This was done in full recognition of the contribution of the agricultural sector to economic growth.

Mr. Temporary Deputy Chairman, Sir, there is also the issue of Value Added Tax (VAT) refunds and I would like to assure hon. Members that we do understand the importance of these refunds being timely. We will do everything we can to emphasize and ensure that the limits which we set are actually met by the Kenya Revenue Authority (KRA).

There are also a number of issues that were raised especially with regard to the insurance sector. I would like to say that the amendments that we proposed in the Finance Bill are not only aimed at making sure that we have fairness in the industry but also to ensure that we protect the insurance industry from the unscrupulous lawyers. These lawyers use the loopholes within the current regulations to get money from insurance companies not necessarily for the benefit of those who have had accidents.

Mr. Temporary Deputy Chairman, Sir, on the proposals that we have, we have tried to be as balanced as we can. We have tried to ensure that we do not introduce additional tax measures save for the small Excise Duty that we increased on beer. To ensure that the country is firmly back on the growth path, we have done everything possible to ease the burden on the average citizen while at the same time trying to ensure that additional revenues are better managed by the KRA through reforms aimed at improving compliance. These reforms are aimed at encouraging greater compliance amongst our taxpayers. We aim to simplify the administration of tax in this country and not necessarily increase taxes as a result of our desire as a nation to get more resources to fund development agenda.

Once again, I thank all hon. Members for their contribution and assure them that we will continue to work closely with them to ensure that we can achieve the development agenda and objective of this nation.

Thank you, Mr. Temporary Deputy Chairman, Sir.

*(Question put and agreed to)*

**The Deputy Prime Minister and Minister for Finance** (Mr. Kenyatta): 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. Baiya) in the Chair]*

## **REPORT**

### **APPROVAL OF TAXATION MEASURES**

**Mr. Imanyara:** Mr. Temporary Deputy Speaker, Sir, I am directed to report that the Committee of Ways and Means has considered the proposal relating to Excise Duty, Value Added Tax, Income Tax and Miscellaneous Fees and Taxes and has approved the same without amendment.

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

**Mr. Muthama** seconded.

*(Question proposed)*

*(Question put and agreed to)*

### **ADJOURNMENT**

**The Temporary Deputy Speaker** (Mr. Baiya): Hon. Members, that concludes the business on the Order Paper. Therefore, the House stands adjourned until tomorrow, 17<sup>th</sup> June, 2010 at 2.30 p.m.

The House rose at 6.05 p.m.