

NATIONAL ASSEMBLY

OFFICIAL REPORT

Tuesday, 28th June, 2005

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

QUESTIONS BY PRIVATE NOTICE

WITHHOLDING OF HIV/AIDS FUNDING BY WORLD BANK

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

(a) Is the Minister aware that the World Bank intends to withhold funding for HIV/AIDS projects worth Kshs8 billion due to misappropriation of the funds earlier released to the National AIDS Control Council (NACC)?

(b) What urgent action is he taking to pre-empt the catastrophe that would jeopardize the lives of people living with HIV/AIDS and those at risk of infection?

The Assistant Minister, Office of the President (Dr. Machage): Mr. Speaker, Sir, I beg to reply.

(a) I am not aware that the World Bank intends to withhold funding for HIV/AIDS projects worth Kshs8 billion due to misappropriation of funds earlier released to the NACC.

(b) The war against HIV/AIDS is expected to be sustained with a new response programme expected to commence in July, 2005. This project, known as "Total War on AIDS," is expected to receive significant funding from the World Bank. Negotiations with the World Bank are at an advanced stage and progress is good. Besides the World Bank, other development partners and stakeholders have also shown interest and provided financial and technical support in the war against HIV/AIDS in the country. Therefore, there is no catastrophe envisaged. To keep the war against HIV/AIDS on the right path, the Office of the President, through the NACC, has prepared the Kenya National HIV/AIDS Strategic Plan 2005/2006 to 2009/2010, which stipulates the various actions the country will undertake to combat HIV/AIDS. The strategic plan, due for launch before the end of June, 2005, is expected to bring together all the stakeholders; that is the Government, development partners, Parliamentarians, civil society, community-based organizations (CBOs) and faith-based organizations (FBOs) amongst others, to a concerted effort to fight HIV/AIDS.

Currently, the NACC is undertaking a nationwide training for Constituency AIDS Control Committees (CACCs) to build capacity for these grassroots committees, to ensure successful implementation of all HIV/AIDS programmes at the constituency level. The Government counts on hon. Members to support the operations of the committees in their respective constituencies.

Dr. Khalwale: Thank you, Mr. Speaker, Sir. Members of Parliament represent people living with HIV/AIDS. We are also aware of the various activities being undertaken by NGOs, CBOs

and

FBOs. We are the first people to know when these organisations have a problem. The Assistant Minister is simply trying to run away from the problem by saying that he is not aware. The NACC---

Mr. Speaker: Order, Dr. Khalwale! Please, put your question. I truly believe that many more hon. Members have interest in this Question.

Dr. Khalwale: Mr. Speaker, Sir, I just wanted to point out that there is massive corruption in the NACC, to the extent that Western Province received a mere 1.3 per cent of the total money which was released in the last financial year. This is because---

Mr. Speaker: Order! Dr. Khalwale, I would like to bring to your attention Standing Order No.35, which says that a Question shall not be made a pretext for debate. Ask your question now!

Dr. Khalwale: Mr. Speaker, Sir, since the NACC is corrupt, what plans does the Assistant Minister have to bar it from distributing money from the Global Fund so that NGOs can get the money directly from the World Bank?

Hon. Members: How!

Dr. Machage: Mr. Speaker, Sir, the NACC may have been thought to be corrupt a few years back---

(Capt. Nakitare's mobile phone rang)

Mr. Speaker: Order, hon. Member! Could you switch off that gadget? Whose mobile phone is it?

Hon. Members: Capt. Nakitare!

Mr. Speaker: Capt. Nakitare, apologise to the House and switch it off!

Capt. Nakitare: Mr. Speaker, Sir, I apologise to the House. I have switched off my mobile phone!

Dr. Machage: Mr. Speaker, Sir, the NACC may have been thought to be corrupt a few years back, but since the new Ministry was created, corruption has been minimised. It is interesting to note the hon. Member's request. However, I would like to say that some donors fund the NGOs or CBOs directly and the Government does not play any part in deciding how they utilise their money. However, I have taken the sentiments of the hon. Member. I will look at them.

Mr. Sambu: Mr. Speaker, Sir, it is good that the Assistant Minister has assured us that the World Bank will not withdraw funding of HIV/AIDS to the tune of Kshs8 billion. Since that money is intended to be distributed to all Kenyans, could the Assistant Minister lay the guidelines that the NACC uses to distribute it? Distribution of that money has been quite unfair because only three CBOs in my constituency received funding, and yet 30 CBOs applied for funding. Could the Assistant Minister lay the distribution list on the Table so that the exercise can be transparent? We want to know the guidelines and the rules which are used in the distribution of those funds to the constituencies.

Dr. Machage: Mr. Speaker, Sir, it is true that the World Bank has not indicated to us that it intends to withhold these funds. The guidelines that will be used for distribution of those funds will, first, depend on their availability.

Mr. Sambu: Lay that document on the Table!

Dr. Machage: Mr. Speaker, Sir, that is a different Question which I will have to work on.

Mr. Speaker: Mr. Assistant Minister, HIV/AIDS is a devastating scourge among Kenyans. I understand the sentiments of the hon. Members. Would you like me to give you time to address that issue and bring the breakdown to this House?

Dr. Machage: Mr. Speaker, Sir, I accept your request. I will lay on the Table the guidelines later on, if I finish answering the Question today.

Mr. Speaker: Mr. Assistant Minister, sometimes the result of what you lay on the Table may solve the problem altogether, or elicit more questions. I do not want to do this Question twice. Mr. Assistant Minister, what is your immediate reaction?

Dr. Machage: Mr. Speaker, Sir, I will lay the guidelines on the Table next week.

Mr. Speaker: I will defer the Question to Tuesday next week. I hope you will not come back and request for the Question to be deferred again!

(Question deferred)

RELEASE OF GRANT-IN-AID
TO ASAL SCHOOLS

Dr. Ali: Mr. Speaker, Sir, I beg to ask the Minister for Education, Science and Technology the following Question by Private Notice.

When will grant-in-aid for ASAL districts boarding primary and secondary schools be released for 2004/2005 financial year?

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

The grant-in-aid for schools in the ASAL districts for the 2004/2005 financial year has already been released to both primary and secondary schools through their respective bank accounts. The grants were sent out by the end of last week. So, the answer we gave the hon. Member last week is different from this one.

Dr. Ali: Mr. Speaker, Sir. There are nomadic primary schools which were built in the 1980s, and they used to receive grants which they do not receive today. Will those primary schools receive those grants or the Assistant Minister is talking about the free primary school education grants for primary schools?

Dr. Mwiria: Mr. Speaker, Sir, the schools which are registered with the Ministry of Education, Science and Technology are entitled to grants on the basis of student enrolment. We also support non-formal institutions provided they prove that they are, indeed, registered with my Ministry. This will enable us to know the number of students and staff. The primary schools which are registered with the Ministry of Education, Science and Technology are given this money on the basis of student enrolment.

Prof. Olweny: Thank you, Mr. Speaker, Sir. The Government spends a lot of money on the Free Primary School Education Programme and the ASAL district schools. Sometimes the money is not released to the various schools as indicated. What has prevented the Government from publishing the amount of money released to various primary schools for public consumption, so that we can know the schools which have received the money and those that have not received it?

Dr. Mwiria: Mr. Speaker, Sir, that is a good question. There are many numbers involved. Some primary schools do not receive funding that they are entitled to because they have problems with their bank accounts or have not submitted appropriate reports. Clearly, this is not a problem of the Ministry. We strive very much to ensure that primary schools receive those funds as long as we have their bank accounts. It is up to all of us, as hon. Members, to ensure that primary schools in our respective communities adhere to the regulations of the Ministry of Education, Science and Technology.

Mr. Leshore: Mr. Speaker, Sir, could the Assistant Minister tell this House why the Government stopped giving grants to schools in Arid and Semi-Arid Lands (ASALs)? During the last regime of President Moi, those schools used to get grants in form of new vehicles and other facilities. Why has this Government stopped that?

(Applause)

Mr. Wanjala: *Huyo alienda nayo!*

(Laughter)

Mr. Leshore: Mr. Speaker, Sir, may I repeat my question? Why has the Ministry of Education, Science and Technology stopped giving special grants to schools in nomadic areas?

Dr. Mwiria: Mr. Speaker, Sir, I would like to know which schools are those. The Boarding Schools Programme is supporting registered primary schools in the ASALs and it is based on enrolment. We have a list of all the districts in ASALs, including the amounts which they are entitled to. I do not know which schools the hon. Member is talking about.

Prof. Oniang'o: Mr. Speaker, Sir, when you visit ASALs, especially pastoralist areas, you will realise that children cannot benefit from free primary education, unless they attend boarding schools. Since that programme was started, could the Assistant Minister tell us how many boarding schools have been put up to accommodate children in those areas?

Dr. Mwiria: Mr. Speaker, Sir, that is an interesting question, but it is not part of my terms of reference in the Question that is before the House today. If that information is required, we will provide it. But it is completely unrelated to the issue at hand.

Mr. Leshore: On a point of order, Mr. Speaker, Sir. Why is it that the Assistant Minister always tries to evade questions? Two weeks ago, I asked him about bursaries to students going to Australia and he evaded the question. Now, he has evaded the question about schools in nomadic areas. He is also trying to evade Prof. Oniang'o's question too. Is he in order?

Dr. Mwiria: Mr. Speaker, Sir, I never evade relevant questions. I basically answer questions that are put to me.

Mr. Keter: On a point of order, Mr. Speaker, Sir. Is it in order for the Assistant Minister to say that he answers relevant questions? Does he mean that the questions asked by my colleagues are irrelevant?

Dr. Mwiria: Mr. Speaker, Sir, let me say that all questions are relevant or irrelevant, depending on how you look at them. But I answer questions pertaining to the actual subject of the Question that is before the House. I have no problem with that. If I am asked how many schools we built last year in advance, we shall prepare the answer.

Mr. Speaker: Very well! Last question by the hon. Member for Wajir North Constituency!

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

Dr. Ali: Mr. Speaker, Sir, the Assistant Minister has said that he released the money last week. The money was for the 2004/2005 Financial Year, which started in July last year. Why did the Assistant Minister wait for so long, when he knew that all those schools did not have problems with their accounts?

Dr. Mwiria: Mr. Speaker, Sir, sometimes a great deal depends on what we have from the Treasury and when. As you know, although we should have released the money much earlier, we only released the last instalment about a month ago. It has to do with when we get resources from the Treasury. That is apart from the other difficulties that we talked about. But we will try to do it as quickly as possible in the coming financial year.

Mr. Speaker: Very well. Next Question by the hon. Member for Gatundu North Constituency!

ORAL ANSWERS TO QUESTIONS

Question No.338

MINISTRY'S ACQUISITION OF LAND WITHOUT COMPENSATION

Mr. Muiruri asked the Minister for Lands and Housing:-

- (a) whether he is aware that the Ministry acquired the use of land title No.1402 - Ndarugu/Gakoe, owned and registered jointly by Mr. Ngugi Komu and Mr. Watari Gacheke, and has continued to utilize the same land since 1975 without compensation;
- (b) whether he is further aware that the Ministry has put up permanent structures on the said land; and,
- (c) if the answers to parts (a) and (b) above are in the affirmative, whether he could proceed to pay for the current value of the land, loss of use since 1975, and other cash crop plantations in place at the time when the land was acquired by the Ministry.

The Assistant Minister for Lands and Housing (Mrs. Tett): Mr. Speaker, Sir, I beg to reply.

Since the Ministry of Water and Irrigation is the one that is occupying that land, and the problem has gone on for the last 30 years, I have spoken to the hon. Member. We have agreed that he consults the Ministry of Water and Irrigation to chart the way forward.

Mr. Speaker, Sir, the Question should, therefore, be deferred.

Mr. Speaker: Mr. Muiruri, is that okay with you?

Mr. Muiruri: Mr. Speaker, Sir, that is a very serious matter. Those people have been robbed of their land by the Ministry of Water and Irrigation and the Ministry of Lands and Housing for the last 30 years. We have agreed with the Assistant Minister that, as a matter of urgency, the Ministry of Lands and Housing, in conjunction with the Ministry of Water and Irrigation, is going to take action to have those people compensated for not using their land for the last 30 years.

(Laughter)

Mr. Speaker: So, are you agreeing to the deferment of the Question?

Mr. Muiruri: Mr. Speaker, Sir, I do not know the position of deferring the Question. But we have agreed that she is going to take some quick and appropriate action to have the two owners of the land compensated.

Mr. Speaker: So, we drop the Question?

Mr. Muiruri: Mr. Speaker, Sir, it is the Assistant Minister to confirm that.

Mr. Speaker: The Question is appended your name!

Hon. Members: Defer! Defer!

Mr. Speaker: Order, hon. Members! **Mr. Muiruri:** Mr. Speaker, Sir, could you advise me on that? Under such circumstances, what happens?

Mr. Speaker: Well! I will encourage continuous dialogue. For that, I will generally defer the Question. If there is an agreement, then it does not come to the Floor!

(Question deferred)

Next Question by the hon. Member for Makadara Constituency!

*Question No.166*MEASURES TO SAVE NAIROBI
RIVERS FROM POLLUTION

Mr. Ndolo asked the Minister for Environment and Natural Resources what urgent measures the Ministry is taking to save Nairobi rivers, and other fresh water sources, currently threatened by industrial effluent, domestic waste and careless dumping.

The Assistant Minister for Environment and Natural Resources (Mr. Kamama): Mr. Speaker, Sir, I beg to reply.

My Ministry, through the National Environmental Management Authority (NEMA), has formulated standards, guidelines and regulations on water quality and waste management, which are about to be gazetted. Once gazetted, they will be enforced by NEMA and other lead agencies to ensure that, no industrial effluent, domestic sewerage or solid waste is discharged or dumped in our water bodies or rivers. Those measures will make our water bodies free from pollution and safe for direct use for both domestic and industrial activities.

Mr. Ndolo: Mr. Speaker, Sir, I thank the Assistant Minister for that answer. However, he has not answered my Question properly. I have asked what are the urgent measures to solve that problem. However, he is talking about the future. Could the Assistant Minister answer the Question? What urgent measures is the Ministry taking right now to solve that problem?

Mr. Kamama: Mr. Speaker, Sir, the thrust of the Question is the pollution of Nairobi River. We know that the main source of pollution is from solid waste collectors who have set up collection stations, garages, kiosks and unplanned settlement along the river. NEMA has written to the Town Clerk and the Provincial Commissioner (PC), Nairobi, to evict those people within a month. Those who are polluting that river will be evicted within a month.

Mr. Mwenje: Mr. Speaker, Sir, the Assistant Minister is not giving us a solution to that problem at all!

(Loud consultations)

Mr. Speaker: Order, hon. Members! Let us listen to the hon. Member on the Floor!

Mr. Mwenje, please, proceed!

Mr. Mwenje: Mr. Speaker, Sir, the Assistant Minister is not giving us a solution to that problem. You cannot say that those who have garages along the rivers are the ones causing pollution. Even those who are far away - a kilometre away - still drain all their waste to the same rivers. The hon. Member for Makadara Constituency is asking about another alternative. He can collect all that waste and take it elsewhere. What plans does the Assistant Minister have to stop dumping in Nairobi rivers? The waste should be dumped elsewhere, rather than in the rivers.

Mr. Kamama: Mr. Speaker, Sir, we have two strategies. One is to introduce a discharge licence. That is going to be done by NEMA. So, for somebody to dump effluent into the rivers, they must get that licence.

Secondly, we have introduced the transportation of waste disposal licence. If everybody gets the two licences, we will be able to control pollution in our rivers.

Ms. Mwau: Mr. Speaker, Sir, the culture of littering and dumping has become the culture of every Kenyan. What plans does the Ministry, in conjunction with NEMA, have to institutionalise civic education on environment, so that we can keep our environment clean?

Mr. Kamama: Mr. Speaker, Sir, NEMA has the capacity to conduct civic education to the

members of the public. At the same time, even at the district level, we have officers in charge of the environment who are responsible in this regard. They are paid to do that and the Ministry will make sure those respective officers do their job.

Mr. Ndolo: Mr. Speaker, Sir, the Assistant Minister has told this House that NEMA has the capacity to sort out this problem. The Government has allocated Kshs240 million in this year's Budget for environmental programmes, out of which Makadara Constituency is getting only Kshs50,000 in a year. Can that amount sort out the environmental problems experienced in Makadara?

Mr. Kamama: Mr. Speaker, Sir, I know that Kshs50,000 could be a small amount, but we are going to send our officers to Makadara to assess the situation as it is. If we feel that Kshs50,000 is little, then we will increase the amount to help the people of Makadara.

Question No.194

NUMBER OF JOBS CREATED BY
GOVERNMENT SINCE 2003

Mr. Rotino asked the Minister for Labour and Human Resource Development:-

(a) how many jobs the Government has created since January, 2003; and,

(b) what steps he is taking to create more jobs.

The Minister for Labour and Human Resource Development (Dr. Kulundu): Mr. Speaker, Sir, I beg to reply.

(a) The Government's core responsibility is to regulate and facilitate the private sector. This is by way of providing an enabling environment, for example, macro-economic policy, electricity, licensing and so forth, that allows growth of the economy, thus the creation of jobs. Job creation is, therefore, the responsibility of the private sector. Since January, 2003--

(Loud consultations)

Mr. Speaker: Order! Order, hon. Members! There is something going on out there. The Minister is answering a Question and the House cannot follow. So, could we have some order?

Proceed, Minister!

The Minister for Labour and Human Resource Development (Dr. Kulundu): Mr. Speaker, Sir, since January, 2003, to date, about 1,203,900 jobs have been created. The source of this information is the Central Bureau of Statistics, the National Employment Bureau and Micro and Small Enterprises Department of the Ministry of Labour and Human Resource Development, the National Social Security Fund (NSSF) and the Kenya Revenue Authority (KRA).

(b) The following steps are being undertaken by my Ministry to create more jobs. First, a Sessional Paper on Employment Policy and Strategy for Kenya has been developed to provide a framework for employment creation. It identifies key sectors and strategies that the Government should focus on in order to promote decent and sustainable employment. This has been approved by the Cabinet and, in fact, it has been presented to this House. It is now awaiting printing at the Government Printer.

Secondly, a roadmap for youth employment creation has been developed and is being used to monitor and provide guidance to youth groups engaged in employment creation initiatives through the job creations connect at the Ministry headquarters and the district employment officers.

Thirdly, a Sessional Paper on the development of micro and small enterprises has been developed to provide a framework for development and ensuring sustainability and growth of micro and small enterprises. This has been approved by the Cabinet and discussed by this Parliament.

Fourth, my Ministry is strengthening the district employment offices to provide public employment services, for example, registration and job placement of job-seekers, provision of occasional guidance and counselling, *et cetera*, to the public, through budgetary allocation since 2004/2005.

Fifth, a Country Position Paper to implement the decisions of the African Union Extraordinary Summit for the Heads of State and Government on Employment Creation and Poverty Reduction has been developed in consultation with the relevant Ministries and stakeholders.

My Ministry is committed to ensuring that harmony and peace in industrial relations is maintained, to ensure sustainability of the already created jobs.

Mr. Rotino: Mr. Speaker, Sir, this Government came to power by promising Kenyans that they were going to create 500,000 additional jobs every single year. It is two and half years now since this Government took over, but we do not see any tangible employment. When we go to the streets, many Kenyans are lacking employment. The Minister has not given us any practical ways of trying to employ Kenyans. Could he table the specific additional jobs they have created, naming the departments and sectors where jobs have been created?

Dr. Kulundu: Mr. Speaker, Sir, indeed, 1.2 million jobs have been created since the NARC Government took over power in Kenya. In the formal sector, in the year 2003, 65,100 jobs were created. In the informal sector, 472,000 jobs were created, especially in the *Jua Kali* sector.

(Laughter)

In the small-scale agriculture and pastoralism, 66,000 jobs have been created.

(Several hon. Members stood up in their places)

Mr. Speaker: Order, hon. Members!

Mr. Billow: On a point of order, Mr. Speaker, Sir. Is it in order for the Minister to mislead the House? The economic survey showing the statistics for 2003, which was issued by the Government in 2004, clearly shows that unemployment grew by 9.1 per cent. The economic survey for 2004, which was released just two months ago, shows that unemployment grew by 9.2 per cent. Indeed, according to the economic survey for 2004, only 6,500 formal jobs were created. Let him table the economic survey figures here!

Dr. Kulundu: Mr. Speaker, Sir, I have not said that there is no unemployment in the country. As a matter of fact, 3 million youths are unemployed. The jobs that I am talking about were created by the Government, mostly in the *Jua Kali* sector. In 2004, in the formal sector, 37,200 jobs were created. In the informal sector, mostly in the *Jua Kali* sector--- I am talking about *Jua Kali* because it is not an English word and it has no English equivalence.

(Dr. Kulundu made a gesture)

Mr. Boit: On a point of order, Mr. Speaker, Sir. Dr. Kulundu has used a gesture that cannot be captured in the HANSARD. What language is that?

Mr. Speaker: Order! I want to remind the House of the rules of the House. Only one hon. Member at a time will have the Floor. It is out of order for the Minister and the hon. Member to be on the Floor at the same time.

Mr. Boit: Mr. Speaker, Sir, the Minister has used a sign, which cannot be indicated in our HANSARD. Could he tell us what language that is?

Mr. Speaker: Indeed, Mr. Minister, what does that mean?

Dr. Kulundu: Mr. Speaker, Sir, the KANU hon. Member has interpreted that to mean "in quotes". However, in 2004, in small-scale agriculture and pastoralism, 133,000 jobs were created. These figures made a total of 584,200 jobs. In two years, 1,203,900 jobs were created.

Mr. Gitau: On a point of order, Mr. Speaker, Sir. When hon. Boit was rising on a point of order, hon. Wanjala told him: "You councillor, sit down". Is he in order?

Mr. Speaker: Order! I want the House to proceed with its proceedings in accordance with the Standing Orders and in a dignified fashion. Can we now proceed?

Mr. Ojaamong: Mr. Speaker, Sir, first, I want to dissociate my people from the statement of the Minister that many jobs have been created in the country because not a single job has been created in Teso. Recently, there was a strike by the civil servants.

(Loud consultations)

Mr. Speaker: Order! There is something wrong in that corner. Hon. Members are under the obligation to let the proceedings of this House continue. That is an obligation! It is not a request. I kindly request the hon. Members who are making it impossible for the House to proceed, to, please, keep their peace.

Mr. Ojaamong: Mr. Speaker, Sir, I was saying that recently, there was a strike by civil servants and currently, almost all the Ministries are trying to victimise the officers whom they purport to have gone on strike. What measures is the Minister for Labour and Human Resource Development taking to ensure that these Ministries do not sack these people unfairly? The officers are currently receiving interdiction letters.

The Assistant Minister for Environment and Natural Resources (Mr. Kamama): On a point of order, Mr. Speaker, Sir. Is the hon. Member in order to mislead the House that not a single job has been created in his constituency, while we know that the Constituency Development Fund (CDF) has employed over three people in every constituency? Is he in order to mislead the House?

(Dr. Kulundu consulted with Mr. Ojaamong)

Mr. Speaker: I can see the Minister going to consult the hon. Member and asking him quietly what his question was about. The Minister is out of order! If you have not heard the question, you should come and ask me what the question was, so that I can ask the hon. Member to repeat it. Is that what you want me to do?

Dr. Kulundu: Mr. Speaker, Sir, I have remembered the question. The hiring and sacking of civil servants is not a function of the Ministry of Labour and Human Resource Development. It lies with the Directorate of Personnel Management.

Mr. Sungu: On a point of order, Mr. Speaker, Sir. Is the Minister in order to mislead the House that the function of hiring civil servants is not in his docket? In fact, he appeared on television with his eyes wide open, threatening to fire the civil servants. Is he in order to do that?

Dr. Kulundu: Mr. Speaker, Sir, it is true that I have big eyes. When it comes to hiring and firing, we exhibit collective responsibility. My presence at that news conference was to ensure that my colleague did not infringe on labour laws.

Maj. Madoka: Mr. Speaker, Sir, it is very good for the Minister to give us figures. In fact, the figures are very impressive, but all we want are the facts. He should table before the House the names of the people who have been employed in the informal and the formal sectors, and show exactly where they have been employed. This will give the Government credibility. He should just not give us mere

figures.

Dr. Kulundu: Mr. Speaker, Sir, the people who have been employed in the informal sector are all over the country. There are *Jua Kali* sheds in the constituencies.

Mr. Twaha: On a point of order, Mr. Speaker, Sir. The Minister is misleading the House. The only facilitation that the Government has done is to create insecurity. So, the only jobs available are for watchmen.

(Laughter)

If you build a wall in Kenya, the moment you leave it unattended, it will be stolen.

Dr. Kulundu: Mr. Speaker, Sir, I do not know whether I should have the decency to respond to the hon. Member's remarks that the Government has created insecurity. The Government has put in place all mechanisms to fight insecurity. For an hon. Member to stand before this House and claim that the Government has created insecurity is regrettable, to say the least.

Mr. Speaker: Order, hon. Members! Take your seats. Look at the time. I have already given this Question ten minutes.

Next Question!

Question No.409

EXTENSION OF RAILWAY LINE TO
SOUTH NYANZA REGION

Mr. Masanya asked the Minister for Transport:-

(a) what plans he has to extend the railway line to Kisii town and South Nyanza region to serve this area with high agricultural potential, and;

(b) whether he could confirm how many kilometres of railway line have been constructed since Independence and in what regions.

The Assistant Minister for Transport (Mr. Ligale): Mr. Speaker, Sir, I beg to reply.

(a) The Kenya Railways Corporation (KRC) has no immediate plans to construct a new railway line to Kisii and South Nyanza regions because a recent survey concluded that there would be inadequate rail traffic in the area to sustain viable operations, on account of the current comprehensive road network in the area.

(b) No new railway lines have been constructed since Independence and the focus for the KRC has consequently been on continuous maintenance and improvement on existing lines.

Mr. Masanya: Mr. Speaker, Sir, the Assistant Minister has said that according to their survey, they found railway traffic unviable. We have over 40 tea factories in this region which produce about 15 million kilograms of tea. This place is densely populated such that we normally have human traffic jams. We have bananas in this area which feed almost half of the urban centres in this country.

Hon. Members: Aahh! What is your question?

Mr. Speaker: Order! You can get it from your colleagues that you are infringing Standing Order No.35. Could you ask the question?

Mr. Masanya: Mr. Speaker, Sir, could the Assistant Minister table the statistics they found in this survey?

Mr. Ligale: Mr. Speaker, Sir, I have not disputed any of the facts the hon. Member of Parliament is talking about. That is one of the richest regions in this country. I have said that, currently, most of the transportation in that area is done by road, and we have enough road networks to carry it.

Mr. Gitau: Mr. Speaker, Sir, you have heard the Assistant Minister answer so casually that

no new railway lines have been built since Independence. Is it that this Ministry does not think it is necessary to have railway lines or rail communications? What plans do they have in the future to construct new railway lines?

Mr. Ligale: Mr. Speaker, Sir, I have answered my questions correctly. I have not had any casual attitude towards them. The only reason why we have not had any new railway construction in the recent past is because of the expenses involved. Currently, it costs approximately Kshs40 million to dig one kilometre of railway line. This is not, therefore, viable.

Mr. Marende: Mr. Speaker, Sir, it is in the public domain that, recently, Kenya has had the opportunity of extending its railway line network to the Sudan. It is also in the public domain that we have lost that privilege to Uganda because of undue bureaucracy. Could the Assistant Minister confirm what steps are being taken to ensure that we do not lose that good opportunity?

Mr. Ligale: Mr. Speaker, Sir, the opportunity is not lost. We are discussing with the Government of Sudan the possibility of constructing a railway line from Juba to Nakuru. We are looking at various options and also discussing with a possible investor from Germany. We hope to clinch that deal.

Mr. Masanya: Mr. Speaker, Sir, could the Assistant Minister tell us if there is any place in this country where construction of railway lines is taking place?

Mr. Ligale: Mr. Speaker, Sir, I thought I had answered that part of the Question. I said that no new railway lines have been or are being constructed at the moment.

Mr. Speaker: Very well! It looks like I have only five minutes, but I still have several Questions. I have one hon. Member who wanted to seek a Ministerial Statement. This means the next Question will be for four minutes. It belongs to the hon. Member for Kerugoya/Kutus.

Question No.184

SCHEME OF SERVICE FOR PRIVATE
SCHOOL TEACHERS

Mr. Speaker: Is it okay to defer the Question to tomorrow?

Mr. Karaba: Mr. Speaker, Sir, tomorrow will be a better day. However, what time, tomorrow?

Mr. Speaker: The morning time may not be feasible because of the preparation of the Order Paper, which is probably already out for the morning. So, could I put it to tomorrow afternoon?

Mr. Karaba: It is okay!

Mr. Speaker: Very well! The Question is deferred to tomorrow afternoon.

(Question deferred)

Order, hon. Members! Due to lack of time, Question No. 410 is also deferred to next week at the request of the hon. Member for Nyaribari Masaba. Questions Nos.351 and 476 are also deferred to tomorrow.

Question No.410

INHUMAN TREATMENT OF VISA
APPLICANTS BY USA EMBASSY

(Question deferred)

Question No.351

EDUCATION OF KENYANS ON
DETECTION/PREVENTION OF
BREAST CANCER

(Question deferred)

Question No.476

MANAGEMENT STATUS OF RONDININ
COMMUNITY MUSEUM

(Question deferred)

POINTS OF ORDER

DEPORTATION OF KENYAN
JOURNALISTS BY TANZANIA

Mr. Speaker: Proceed, hon. Member for Belgut

Mr. Keter: On a point of order, Mr. Speaker, Sir. I rise to request a Ministerial Statement from the Minister for Foreign Affairs on the deportation of six Kenyan journalists, who were working for Mwananchi Communications Limited in Tanzania. This company is a subsidiary company of the Nation Media Group. I would like to know from the Minister whether these deportations of Kenyan journalists run counter to the spirit of the East African Community, to which we are a member state. I would also like to know from him why they have come at a time when we want to form an East African Federation, which will allow qualified East African citizens to work in any of the three countries. These have also come at a time when we want to open our borders to allow free movement of the citizens of the member states. Lastly, I would like to know why the six Kenyan journalists were deported without the status of their applications for work permits being communicated to them.

Thank you, Mr. Speaker, Sir.

Mr. Speaker: Is the Minister here? Could he respond to that?

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Speaker, Sir. I was consulting when the hon. Member sought the Ministerial Statement, and did not hear what he said.

(Laughter)

Mr. Speaker: Order, hon. Members! I will help you, Mr. Assistant Minister. Please, sit down.

I will help you because I think this is a matter that is important.

It is reported in today's Press that six Kenyan senior journalists, who had taken up employment positions in Tanzania, in a firm that was developed by our Nation Media Group, have been deported from Tanzania for lack of work permits. I think the hon. Member is asking what steps the Government is taking to ensure that Kenyans, who have invested in another country, particularly in East Africa, are allowed to work where they have invested. I believe that is what hon. Keter has asked.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): Mr. Speaker, Sir, could we give this Ministerial Statement on Wednesday next week?

Mr. Speaker: Is that not too far?

Hon. Members: That is too far! Let him give it on Thursday.

The Assistant Minister for Foreign Affairs (Mr. Wetangula): I can give it on Thursday.

Mr. Speaker: Thursday is okay.

The hon. shadow Minister for Finance, you have one minute. Utilise that minute in the most economical way.

MEMBER TO SEEK MINISTERIAL
STATEMENT ON HOUSE ROLE OVER
GOVERNMENT EXPENDITURE TOMORROW

Mr. Billow: On a point of order, Mr. Speaker, Sir. I rise on a point of order to seek the indulgence of the House in order to seek your ruling on a matter of grave importance to this House. It is the role of this House to exercise oversight functions over Government expenditure. One of the ways in which we do that is to scrutinise and sanction the Government's Printed Estimates or the Budget. The procedure and format of presentation of the Printed Estimates are provided for in the Government financial regulations. This is subsidiary law of this country.

Mr. Speaker, Sir, the regulations are very clear. Among other things, they say---

Mr. Speaker: Could I help you, hon. Billow? I think you are raising a fundamental issue. I really do not want to rush you, but you know I have no option on time; time rushes me. Could I ask you to raise this issue tomorrow morning when we will not be under time pressure?

Mr. Billow: Mr. Speaker, Sir, I have no problem with that. I can raise it tomorrow morning, if I will be given sufficient time to do so.

Mr. Speaker: I will give you that opportunity tomorrow morning. I do not want to rush you because we want to understand it. It is central to our basic role as Parliamentarians. It is within our power to approve taxation.

Next Order!

COMMITTEE OF WAYS AND MEANS

(Order for Committee read)

MOTION

APPROVAL OF TAXATION MEASURES

The Minister for Finance (Mr. Mwiraria): Mr. Speaker, Sir, I beg to move:-

THAT, the proposals relating to:-

- (a) Excise Duties;
- (b) Value Added Tax;

(c) Income Tax; and,

(d) Miscellaneous Fees and Taxes contained in the Financial Statement for the year of Account 2005/2006 be approved.

Mr. Speaker Sir, His Excellency the President has signified his consent to this Motion. As mentioned during the Budget day, I have made a number of taxation measures aimed at enhancing efficiency of tax administration. The measures proposed under the Customs and Excise Act will, however, be implemented immediately after the publication of the necessary legal instruments by the East African Legislative Assembly. These measures are designed to improve the welfare of our people and reduce the cost of production, while offering some protection to our infant industries.

I have similarly proposed a number of Excise Duty measures as follows: One is the adjustment of the current specific Excise Duty on beer and cigarettes by 10 per cent, on account of inflation. Secondly, consolidation of the Excise Tax rate on neutral spirits to Kshs100 per proof litre in order to simplify and improve compliance of Excise Tax for neutral and compounded spirits. This duty will be paid at the point of import or manufacture. Thirdly, is the harmonisation of the current Excise Duty regime on motor vehicles to a single rate of 20 per cent in order to safeguard revenue base. Fourthly, collection of all taxes on petroleum oil will be at the point of importation in order to lower the cost of administration, reduce revenue leakage and enhance accountability of taxes on petroleum oils.

I have also proposed to zero-rate the liquefied petroleum gas (LPG), sanitary towels, towels, maize flour, milk and kerosene for Value Added Tax purposes, in order to make these commodities affordable to Kenyan citizens. As I have already indicated, I expect manufacturers and producers of these commodities to pass the benefit to the consumer. I know that most of these items have not come down in prices, owing to two main reasons. One is because most of the traders held stocks which they would like to sell out before they lower the prices for the new stocks. Secondly, quite a number of businessmen did not appreciate how zero-rating of a commodity works. My Ministry has already held several meetings with business people to explain to them so that they can begin implementing the new taxation measures. I have also taken a number of steps under the Income Tax Act, which include increase of tax deductible limits for both registered pension and provide provident fund schemes as well as individual retirement schemes from Kshs210,000 to Kshs240,000 per annum. This is aimed at providing further incentives to retirement schemes and increasing savings. Secondly, there are exemptions from withholding tax for firm audit fees for analysis of maximum residue limits pay to non-resident laboratories and auditors. This will support farmers and make their produce competitive in the international market.

Thirdly, newly listed companies offering at least 40 per cent of their shares to the Kenyan public will pay Corporation Tax at a lower rate of 20 per cent, for a period of five years from the year of listing. This is meant to encourage more companies to list at the Nairobi Stock Exchange (NSE).

Fourthly, is the issue of increase of mortgage interest relief for owner-occupied houses, from Kshs100,000 to Kshs150,000 per annum in order to encourage home ownership and provision of housing and shelter. Finally, increasing the current limit of Kshs1 million on the cost of private motor vehicles for purposes of computing wear and tear to Kshs2 million per annum, in order to reduce the cost of doing business in the private sector.

I have just mentioned but a few of the proposals contained under the Customs, VAT, Income Tax and other Acts. Hon. Members will have an opportunity to address these and other specific measures once the Finance Bill is brought to the House for debate. I wish to appeal to hon. Members and other stakeholders to offer full cooperation so that we pull together in a constructive manner, so as to achieve our national development objectives and raise the standards of living of our people.

I beg to move.

The Minister for Livestock and Fisheries Development (Mr. Munyao): Mr. Speaker, Sir, I rise to second this Motion. As I do so, I admit that I have never been so willing to second a Motion

as I am today. We must congratulate the Minister for Finance for doing a wonderful job of producing a good Budget, not only this year, but in the previous three years too. Hon. Members on the Opposition side are looking at me because they know what I am saying is true.

We must be proud of the Minister and the Government because for the past two years, unlike what has been happening in the previous years, Budgets are read and appreciated. In the previous years, Budgets would be read and followed by mini-budgets. Why should we not be proud of this Budget? I wish all hon. Members of this House would support the NARC Government to stay in power for the next 100 years, or, at least, for more than the 44 years that the KANU Government was in power.

Mr. Speaker, Sir, I am sure the Minister for Finance had a very difficult time trying to balance the Budget. In fact, he deserves a pat on his back for sharing equitably the meagre resources at his disposal. He has done pretty well. I would also like to salute him for the growth of our economy. We, as Kenyans, are all happy. This is a sign of hope. Before the NARC Government came into power, our economy was recording negative growth.

Mr. Speaker, Sir, despite various difficulties that we are facing in this country, I would like to request the Minister for Finance to look for funds to rehabilitate our infrastructure, such as roads, electricity and water. If we improve our road network, I am sure we will be able to achieve tremendous development in this country. In fact, hon. Members will not be asking Questions here about the state of roads in their constituencies. We will be able to transform our image.

Mr. Speaker, Sir, electricity is very crucial in improving the security situation in this country. For example, if we were to fully light up all our major towns, such as Nairobi, Mombasa, Kisumu and Nakuru, I am sure cases of insecurity will go down by at least 75 per cent. We all know that during the day time, there are fewer cases of insecurity, but at night, our people get robbed under the cover of darkness.

Mr. Speaker, Sir, I know all of us appreciate the importance of water in this country. If we put more of our resources on improving the agricultural sub-sector, then we would be assured of food security. There is nothing which gives a country greater pride than being self-sufficient in food production.

While I congratulate the Minister for a well-done job, I would like to remind him of a proposal which we put forward to him the other day. We requested him to zero-rate hides and skins. I strongly believe that if he does so, he will realise more revenue. We, as Kenyans, will make sure that we support all his proposals by paying revenue. There were 18 tanneries in this country. It is sad that most of them closed down. We only have three which are operational. Our intention is to make sure that they are all revived.

Mr. Speaker, Sir, it is a pity that over 50 persons died after consuming illicit brew in Ukambani. I am very sure these people would have made a contribution to the growth of our economy. On behalf of myself and the people of Mbooni Constituency, I would like to send a message of condolence to the affected families and assure them that we are together at this time of grief. I would also like to appeal to the Government to move with speed and arrest those people who supplied this killer brew. This was the third time for illicit brew to wreak havoc in Machakos District. I wonder whether those distributors only find a market for their product in Ukambani. How many more people do we want dead before we contain this unfortunate situation? It is very sad for a country to lose more than 50 people in a span of less than a week.

I would like to thank the Government for promising to assist in the burial arrangements. However, as we prepare to bury our beloved ones, we must be told why brewing of illicit brews in this country has gone on for many years without action being taken. Distributors of these illicit brews are well known. Some of them are well known. It is a sad situation that when they are arrested, sooner or later, they are set free.

Mr. Khamasi: On a point of order, Mr. Speaker, Sir. While I appreciate the contribution by Mr. Munyao, probably, he would have done so under a separate Standing Order. This is because we are discussing taxation measures. How relevant is his contribution to taxpayers?

Mr. Speaker: Order, Mr. Khamasi! Hon. Members, I speak for the full House; we express our sadness at the loss of the lives of our people in Machakos District. This is a grievous and saddening situation. However, that should not distract us from the rules of this House. Of course, I have been very sympathetic to Mr. Munyao, not knowing what to do in the face of this tragedy. However, may I inform the House that the hon. Member for Machakos Town will make an application tomorrow morning to discuss the issue of illicit brews under Standing Order No.20.

Mr. Munyao, that will be the opportunity for you to air your views. Could you now discuss the issue of taxes?

The Minister for Livestock and Fisheries Development (Mr. Munyao): Thank you, Mr. Speaker, Sir, for that guidance. We are talking about proposals relating to Excise Duties, VAT, Income Tax and Miscellaneous Fees and Taxes. However, the Minister might not realise all taxes he projected in the Budget because he will have to look for ways to fill the gap which has now been created by the loss of 50 people in Ukambani. Their input in the economy, no matter how small it is, is now gone. It is for that reason that I find it necessary to dwell on this issue. I am surprised because the hon. Member who stood on a point of order is one of your deputies. If hon. Members have to be given new Standing Orders, begin with your deputies, so that even if---

Mr. Speaker: Order, Mr. Munyao! The hon. Member, who is a member of the Speaker's Committee and who ably deputises me, was perfectly in order.

The Minister for Livestock and Fisheries Development (Mr. Munyao): Mr. Speaker, Sir, I am with you! He is also my very great friend. I hope the people in Shinyalu Constituency did not hear what I said.

Mr. Speaker, Sir, I cannot support this Motion any better. Therefore, with those few remarks, I beg to second and call upon hon. Members to support it.

Mr. Speaker: Very well! In addition to what I had just said that, this House is sad, we would like to send our condolences to all the relatives, friends and the people of Machakos as a result of this tragedy.

(Loud consultation)

Order, hon. Members! Standing Orders state that when Mr. Speaker is on his feet, the whole House shall remain silent. Shall we, therefore, try to live to that Standing Order?

(Question proposed)

Mr. Billow: Mr. Speaker, Sir, the hon. Member, who last spoke, said that NARC also needs to rule for 40 years like KANU. I want to inform him that the decision to not only give NARC a double term but 40 years will depend on the people of Kenya. They will make that decision depending on how this Government performs.

Mr. Speaker, Sir, on the issue of taxation, about three to four years ago, the Kenya Revenue Authority (KRA) announced that they were going to move away from direct taxation to indirect taxation. In other words, they would tax Kenyans less on incomes like Pay-As-You-Earn (PAYE) and go for taxes like Customs Duty, Valued Added Tax (VAT) and other forms of indirect taxes; taxes on consumption. If that happens and our incomes are taxed less as Kenyans, our disposable income is going to increase. If it does so, we shall have money to save. Therefore, there will be money for investment in this country. Without additional investment, there is no way the KRA can expand its collection of revenue. Given the shrinking levels of domestic investment in the country, it is, therefore, very important that we move away from direct taxes to indirect taxes so that Kenyans can have more

disposable income to save and invest in productive economy.

[Mr. Speaker left the Chair]

[Mr. Deputy Speaker took the Chair]

Mr. Deputy Speaker, Sir, the level of taxation is so high in this country. Generally, taxation as a ratio of Gross Domestic Product (GDP) in this country is higher than all the other countries in this region. Tax revenue collected is about 11 per cent to 16 per cent in the region while in Kenya, taxation is equivalent to 21 per cent of our GDP. It is one of the highest including even in Asian countries. We are taxed heavily! We can even look at it specifically. In the Income Tax, you reach the top rate of tax when you are earning only Kshs37,000. If your salary is Kshs37,000, you pay tax at the rate of 30 per cent. So you are going to pay about Kshs11,000 of that money in taxes to the Government. That is a very high rate of taxation. When you come to the lower income earners, the threshold for taxation is also very low. If you are earning Kshs10,164, your income becomes taxable and the Government takes away 10 per cent of your money as tax. That is going to be a burden on Kenyans given the high cost of living, transportation, food and other things. It is very important that the Minister should in future consider expanding this bracket so that we do not tax people who are earning that kind of money. A majority of our civil servants, 78 per cent, earn between Kshs10,000 and Kshs15,000. If we subject their income to tax, that is going to be a disincentive for savings.

If you look at the Corporation Tax, this is the tax on business income, again, the rate is 30 per cent on all enterprises. Whether your business is the largest, like M/s Unilever and all the multinationals or it is a small and micro-enterprise, the tax rate is 30 per cent. This is unfair! We expect the Government to have a different taxation regime for small and micro-enterprises in this country so that they are not taxed at the same rate. This is because small and micro-enterprises do not enjoy all those benefits that big modern companies enjoy. They get a lot of duty waivers on the machinery and plant that they import. However, our small and micro-enterprises, for instance a *Jua Kali* enterprise which is registered as a company, has to pay 30 per cent tax on all its income just as the multinationals. In the Sessional Paper on Small and Micro-Enterprises, the Government undertook to have a lower taxation regime for those institutions. This should have been done by the Minister.

Mr. Deputy Speaker, Sir, I also want to raise the point on penalties by the KRA. Penalties that are being levied on the taxpayers are very high. Taxpayers are customers of the KRA yet, if you fail to file your returns on time, you are penalised immediately and heavily. The KRA does not recognise the taxpayer as a person whom they should invite and talk to as a customer because he is the person who generates all that tax. It has a charter that it should live by. There is a KRA charter that was adopted about five years ago, but if you are invited to their offices to discuss your tax matters, it is like going to a police station. However, if you fail to file your returns on time, you are also penalised heavily yet you are a compliant taxpayer. At the same time, it uses agency notices and attachments of your bank accounts sometimes without carrying out investigations or even asking you to go and explain why you did not account for a particular income. It immediately applies penalties such as attaching your accounts. The tax penalties and the way the KRA treats taxpayers, should change so that it treats them differently.

I also think that asking individuals, whose sole income is salary, which is taxed through the PAYE, to complete tax returns is a heavy burden on Kenyans. If you go to the KRA offices today, you will see long queues. These are civil servants, teachers and other many Kenyans whose only source of income is salary. That salary is taxed through the payroll. Until about four years ago, there was no requirement for anyone to fill annual tax returns if one's income was only salary. To go through all that administratively is an expensive business and it takes a lot of time of Kenyans when they have

to queue there for hours just to file their tax returns.

Mr. Deputy Speaker, Sir, on the issue of VAT, the Minister zero-rated the VAT on basic commodities such as food. However, Kenyans have complained that the price has not come down in spite of the fact that the Minister zero-rated them. Most manufacturers have complained that the reason why they have not adjusted the prices downwards is because they are not able to get their refunds on time when they claim from the KRA. If you pay VAT and it is supposed to be refunded to you, it has a cashflow implication. There is a cost of finance. You are paying something to the Government that you are not supposed to pay, but the law requires you to pay first and then apply for a refund later. That refund can take one or two years. Unless the Government indicates a specific timeframe within which it will refund VAT claims, we will continue to have problems like the ones we are having; where manufacturers will not reduce the prices of commodities because they claim that there is a cost or finance implication as long as the Government continues to hold on to their money. The Minister should, as soon as possible, indicate the timeframe within which VAT will be refunded. This will ensure that Kenyans enjoy the benefits of the zero-rating.

Mr. Deputy Speaker, Sir, the second point is on Excise Duty. The Excise Duty is on petroleum. We raised that issue during the debate on the Budget. The Minister changed the collection point from the bonded warehouses of the Customs, to the point of importation. The impact of that is that, as you import, you have to pay the full amount of tax. Again, it has cashflow implications and there is a cost of finance involved. Someone has to borrow a lot of money and pay for that tax. What used to happen is that you would keep those items in a bonded warehouse and, as you draw some amount, you pay your tax. But now, you are supposed to pay tax at the point of importation. It means that, the moment the ship docks, you have to pay the full amount. In other countries like Uganda, import duty, even for items like imported vehicles, can be paid in instalment basis. The payment of duty upfront is going to make our lives very difficult. It is going to be expensive due to the additional cost of finance. I think the decision was not appropriate. The Minister should not tax our people upfront. He is going to hurt Kenyans because that cost will be passed on to the consumers.

Mr. Deputy Speaker, Sir, we have raised points about tax waivers many times. The discretion provided by law to the Minister to grant a tax waiver has been abused in the past. Members of this House and the public have complained. That was so last year, when such a discretion was given to a Minister. We expect the Minister to bring a legislation to reduce the powers of his office regarding his discretion to grant tax waivers. That could be done by developing a criteria. You can have a specific criteria that, if it is met, you can get a waiver. If that is done, everyone will know what criteria he needs to follow even before he applies for the waiver. You can also set limits and so forth.

Lastly, it is important for the Government to concentrate on the utilisation of taxes. Government revenue has gone up and the most important thing is how to utilise it.

With those few remarks, I beg to support.

Mr. Sungu: Mr. Deputy Speaker, Sir, I also stand to support the Minister's Motion on taxation measures. As we consider the proposals by the Minister, we must ask ourselves several questions. One of them is: Do those proposals cushion *wananchi* against inflation, high prices and other negative aspects? We should also ask questions relating to taxes that are paid by individual persons. For example, has the tax relief for individual persons been increased, so that the common *mwananchi* who suffers from inflation is saved from the burden of extra taxation? Is the tax bracket wider, so that the Minister could collect more taxes? What is the overall effect of those measures on the Kenyan economy?

Mr. Deputy Speaker, Sir, I am specifically concerned about several areas. I would like to talk about the Customs Duty. The Minister proposes to reduce Customs Duty on used clothes from 75 per cent to 45 per cent. That is a reduction of 30 per cent. Although that may have very noble intentions, I dare say that it might not end up in the reduction of prices of second-hand clothes. The other element

which is of more concern to me is the Government's stated objective of poverty alleviation, meeting the Millennium Development Goals and encouraging agricultural production. While we are saying that, we have allowed the importation of cheap second-hand clothes for purposes of helping the common man. What will happen to our cotton industry? What effects will that have on cotton growing and cotton-growing areas? Whereas the Government has stated in the same Budget that it intends to revitalise the agricultural sector, that kind of proposal is going to fly against its objectives. I would like the Minister to re-consider that.

Mr. Deputy Speaker, Sir, the American Government had a very noble idea when it introduced the Africa Growth and Opportunity Act (AGOA). As we speak now, only foreigners are taking advantage of that. Our cotton industry is still in the doldrums. It has not been revitalised.

Mr. Deputy Speaker, Sir, with regard to Import Duty, there are very nice provisions. The Minister for Finance has removed duty on pharmaceutical products. That is very commendable because our people require cheaper medicine. But on the question of removing duty on Liquefied Petroleum Gas (LPG), the intention may be very noble. We want to save our forests from destruction by people who use wood fuel. But what about those who go to the forest to fetch timber? What about those who cut down forests to establish settlements due to the pressure on available land? How many people are going to benefit from reduced LPG prices? A vast majority of Kenyans are not in a position to use LPG because they are not rich enough to afford even the cylinders. Therefore, I hope that when the time comes, the Minister will re-consider those issues.

Mr. Deputy Speaker, Sir, I have also read the proposals on revised schemes for remission on the production of agricultural equipment. But that only refers to equipment for horticultural farming. What about the other aspects of farming? What about the sugar, coffee, tea and pyrethrum sub-sectors? Why did the Minister not extend his hand the extra mile to encompass the entire agricultural sector, so that there is remission of duty for the production of the entire equipment? The Government merely talks about alleviating poverty. But if it has to do so, it must be through agriculture.

Mr. Deputy Speaker, Sir, I want to commend the Minister for abolishing duty on refrigerated trucks and hotel equipment. That might end up encouraging more employment, particularly in the hotel industry. I am more concerned about the fishing industry. Fish is very important to me because I come from the Lake Victoria region. We are very far from the port and there is no airport nearby. We have to export fish products through Nairobi or Mombasa. Therefore, the reduction of duty on refrigerated trucks will be very useful to us. Therefore, the reduction in that area is very commendable, as far as the Member of Parliament for Kisumu East is concerned.

Mr. Deputy Speaker, Sir, with respect to Excise Duty, I note that duty on beer and cigarettes has been increased. As we are talking now, you know what has happened in this country in respect to the use and misuse of alcoholic products. I wish the Minister would have been brave enough to increase that duty by even 20 per cent, rather than 10 per cent. Those are goods of ostentation. They are not necessary for human beings to have. People who go to buy cigarettes and beer can afford those commodities. They should pay more. So, instead of going for other areas, he should have gone for the jugular and made sure that those people pay more.

Mr. Deputy Speaker, Sir, I also noted that there are some specific elements on levelling, across the board, duty for all kinds of cars, whether they have big or small engine capacity. I wish the Minister could have left that taxation the way it was last year, and concentrated on Passenger Service Vehicles (PSVs) and commercial vehicles. Those are the engine of the economy and, if we charge them less and make them cheaper, the economy would do better.

Mr. Deputy Speaker, Sir, my colleague has adequately covered the issue of collecting duty on petroleum products at the point of importation. The net effect will be that petroleum companies will pass on the cost to the consumers. Consumers are now paying a much higher price. That is very

unfortunate, although the Minister may have intended to have a different effect.

Mr. Deputy Speaker, Sir, with respect to Value Added Tax (VAT), the penalty for failure to remit tax, or the penalty to agents who fail to remit tax returns on time, should be much more [Mr. Sungu]

serious than the 10 per cent or the Kshs10,000 that is envisaged.

Mr. Deputy Speaker, Sir, there has been a Question on the Floor of this House about some big companies like Nakumatt who do not remit duty to the Government in time and, as a result, they make huge profits to the detriment of the economy of this country. So, if you tax them at only 10 per cent and they are making millions in a short time in terms of not borrowing and so on, imagine how much profit they are going to make out of the taxpayers money which they should remit to the Government immediately and yet they retain it for their own benefits! That is a very serious matter which I do hope and pray that the Minister for Finance will reconsider.

Mr. Deputy Speaker, Sir, with respect to zero-rating of milk and maize, this is very unfortunate although its intention is very good. Look at the case of maize for example. There has not been a reduction in the price of maize. In fact, this proposal only refers to the packaging of maize products rather than maize itself. What a shame! Why does the Government not actually zero-rate maize itself and not the packaging because we want our *wananchi* who are suffering from poverty to be able to have food so that they do not die from hunger? Those issues are very important. I hope that the Minister will look at them.

Mr. Deputy Speaker, Sir, on the question of income, I note that the Minister very generously succumbed to the pressure of the new generation of gender campaigners by ensuring that spouses can now declare their tax returns separately. I hope that this does not result in divorces because transparency and accountability should also be extended to the households. Now, if you separate them and say that spouses will declare their tax returns separately then some opaqueness will be there and this may lead to some problems among spouses. However, overall, I dare say that the tax proposals that are made by the Minister are reasonable and adequate.

With those few words, I support the Motion.

Mr. Kipchumba: Thank you, Mr. Deputy Speaker, Sir. I want to make my comments on this Motion. I would like to say that the Government, in its bid to collect more taxes, has indeed developed measures that are going to make life very difficult for business people. Just like I mentioned last week, this issue of the Government trying to punish business people in society is really unacceptable. The Government would like the Kenya Revenue Authority (KRA) to be like a court and be punishing its own customers when it is indeed supposed to assist them. It is really something that this House should not support.

Mr. Deputy Speaker, Sir, if you read the regulations stipulated by the Minister, they are intended to stifle business and especially in the petroleum industry. Like I mentioned last week, the Minister, in his attempt to reduce the cost of collection of taxes, wants to shift the same to the business people. In fact, the Government is saying: "We want to reduce our own costs of collecting taxes and shift the same to the business people". What will the business people do? They will shift the same to the consumers and that is the people of the Republic of Kenya. I do not think that the Minister had this intention that he would like to assist the poor people in society to get goods at cheaper prices.

Mr. Deputy Speaker, Sir, number one, when you collect taxes on petroleum products upfront, you are actually saying that you are increasing the financing costs of petroleum and the cost of the same will be passed on to the consumer. In effect, therefore, it means the cost of petroleum products will go up. Inflation will also go up and I do not think that was the intention that the Minister had. I wish that the Minister withdraws some of these regulations so that he can assist the business society. The cost of petroleum products and especially the tax element alone has gone up. I said last time that a petroleum consignment costs Ksh25 per litre. Multiply Kshs25 by 5,000 for a normal consignment. It

will come to Kshs125 million. You pay that amount of money in Mombasa and you wait for 19 days to get your product in Kisumu. How will you meet the costs of financing? That means you will have to borrow from the banks. In fact, the banks are smiling. They know that these companies must borrow from us. I wish the Minister would talk to KRA staff because there are people there who know the repercussions. They have been there for a very long time. I do not know why they would like to mislead the Minister.

Mr. Deputy Speaker, Sir, the Minister has made a recommendation here that products which are to be exported outside this country must be exported within 15 days. It takes 20 days to transfer one consignment from Mombasa to Kisumu. How would you then expect a marketer or oil company to export a consignment of 30 million litres from Mombasa to Uganda within 15 days when indeed, the Kenya Pipeline Company in its own operations cannot deliver the same? That is impossible unless we are going to collect products by plane which is not possible. I do not know what harm KRA suffered by allowing petroleum products to be exported within 60 days. I do not know what their problem is because the products are in a bonded installation. You suffer no loss by removing the product in piecemeal and allowing it to exit from Kenya to Uganda within a period of 60 days which is practical and it has worked for many years. I do not know why the KRA or Government would like to change the regulations.

Mr. Deputy Speaker, Sir, there is also another very serious recommendation where the Minister is saying that if you want to export products outside this country, you must produce evidence that the products were ordered for by a person in a foreign country. If you are importing petroleum products to this country and, before you import them, you want to declare that they were ordered by another company in Uganda, what are we saying? We are saying that any company that is owned by a Kenyan can never export products. We are actually saying that companies like Shell, Total and Caltex who have their parent companies outside Kenya will be the only companies that can import products. If you tell a company today that "I have to declare that I am importing for you", it will move to the next company. So, we are actually saying that our own companies cannot export goods from this country. Therefore, we want to kill our own enterprises and promote multinational companies and I do not know who in this country would like to bring regulations like this one. Where will it be enforced? Therefore, I would like to request the Minister to withdraw this regulation immediately so that oil companies that are indigenous can, therefore, be able to export because you cannot declare that a product has been ordered for by a company for which you have no connection.

Mr. Deputy Speaker, Sir, I want to say that zero-rating of products has caused a lot of concern in this country. If the Government wanted to reduce the price of kerosene, it would have reduced the Excise Duty on the same. Simple! The price of kerosene would have gone down the next day. However, by telling us that they would like to zero-rate the VAT on kerosene is false. In fact, in the first place, kerosene does not have VAT. By zero-rating it, the Government is now saying that it can now claim an input tax on it but we all know that the Government has been unable to refund a lot of business people the Import Duty that they have claimed previously. I know the Minister made a provision to increase the amount of tax that should be refunded but there are a lot of inefficiencies in refunding these taxes. I do not want to blame Kenya Revenue Authority (KRA) for this because that responsibility squarely lies with the central Government. Usually, there are no provisions for adequate funding and the projections are inadequate. Therefore, if the Government was really sincere in reducing taxes, it ought to have removed the Excise Duty on kerosene because it is a product used by the majority of poor people in this country.

With regard to the Transport Licensing Board (TLB), we all know that if you want to get a licence for your *matatu*, you have to wait for the Board to visit your area. The Board moves from one district to another thereby taking about a month or two to get to a particular location. What happens as a result of this? *Matatu* operators are unable to operate. Why can we not ensure that *matatu*

operators get the licence from TLB in the same way they obtain a road licence? Why must we wait for the Board to visit an area and adjudicate before *matatu* operators can get the TLB licence? The people who sit in that Board are not inspectors and they, in fact, do nothing. All they do is to sit down and ask operators which routes their vehicles are plying. Why can we not have a regulation in place that, if you want a licence for your *matatu* to operate in a certain route, you simply go to the District Commissioner's office or you go and buy it from Kenya Revenue Authority (KRA) offices? We do not need a Board that has no business other than moving around the country and drawing allowances.

Finally, the Minister for Finance has not made an adequate provision to receive taxes from Government investments. To tell us that the Government will receive only Kshs800 million, when Kenya Pipeline Company alone makes Kshs4 billion in a year, is unacceptable.

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

Mr. M'Mukindia: Thank you, Mr. Deputy Speaker, Sir, for giving me this opportunity to join my colleagues in strongly supporting this Motion. I support it because the various taxation measures which have been proposed by the Minister are actually very mild. In light of the fact that the Minister did not factor in donor support in our Budget, to me, this is an indication of very good management of our economy for the last two years. It is for that reason that I call upon my colleagues to support this Motion.

We all know that the so-called donors do not really donate things. They actually loan us money which we have to pay back. I would like to urge the Minister, and the Government as a whole, that from now on, they should be very careful about what they accept from the so-called donors. If we have already shown that we can live within our means, then, let us look at every proposal from the so-called donors with a microscope and accept only what is good for this country. I am glad because I feel that Kenyans can now walk with their heads high without being insulted by donors. We could be poor, but we can walk with pride. Although we are poor, we should accept our status and work from there. If we do not do that, we will never improve our situation. If we pretend that we are rich, we shall never get out of the poverty that we are in. We must accept our true condition in order to work from there and grow. For that reason, and having personally challenged the Minister for Finance severally to save us from the insults by donors, I am glad that for the first time, we have a Budget which we can finance from our own means.

Mr. Deputy Speaker, Sir, I would like to urge the Minister that the areas we have complained about in terms of taxation are actually areas where we spend very little money; for example, agriculture. In fact, 80 per cent of our people depend on agriculture. Therefore, any other additional funding from taxation, whether it is VAT or Corporate Tax really ought to be channelled into the area of agriculture.

I also note that one of the major areas that the Minister has a lot of problems with, and hon. Members missed to point out, is that inflation has been very high. In the last one year, the inflation rate was over 16 per cent. The Government has blamed this on increased credit and the price of petroleum products. However, if you look at our neighbour, Tanzania, they have been able to maintain an inflation rate of less than 5 per cent and yet they pay for petroleum products just as we do here in Kenya. Therefore, we cannot blame the price of petroleum products for the inflation that our country is experiencing today. So, although there was 4.3 per cent economic growth last year, the actual gain accruing to the average *mwananchi* must have been very low; if anything, it was negative. If you subtract the inflation rate of 16 per cent from an economic growth of 4.3 per cent you will get a negative of 12.7 per cent. For that reason, the person in the *shamba* is probably worse off today than he was a year ago simply because of the very high inflation pressures. One of the challenges that the Minister has, is to bring this inflation to a single digit level. At the same time, we need to ensure that we do not deny credit to the productive sectors of our economy.

My colleague, hon. Kipchumba, said a while ago that if we ask petroleum dealers, producers

and exporters to pay in advance, what that means is that the Kshs125 million that he was talking about--- The Government is actually taking money away from business. By doing that, we are actually reducing credit in business. That is not really the intention of the Government. By taking away money from business, we are actually increasing the cost of doing business in Kenya. Everyone is complaining about that. For example, the cost of electricity is too high.

How can we reduce the cost of doing business in Kenya? Here we are with a proposal written by the Minister for Finance where he is actually increasing the cost of doing business in this country. There is no need of cheating ourselves that businessmen will not transfer any cost to the consumers. That amounts to wishful thinking. It is actually being retrogressive and going back to the old KANU ways where people waited for things to be done out of charity. That does not work. The reality is that any cost will be passed on to the consumer. Therefore, if the Minister wants to be paid in advance, the cost of doing business will be passed on to us. It will be passed on to our industries; for instance, the agricultural sector. What will happen? The cost of production will increase and we will become uncompetitive and the Minister will end up shooting himself in the foot and not achieving anything.

Mr. Deputy Speaker, Sir, it is a challenge for this Government to create an efficient and low-cost economy. Some of the proposals are actually giving with one hand and taking away with the other hand. There is no comprehensive consideration of what is really happening and the implications of every one of these proposals. For example, the cost of energy, especially electricity, is very high. We need to look at these issues including our infrastructure. Every arm of the Government must know what the other arm is doing. Every proposal must be analyzed in order to understand the implications of those proposals on business.

Mr. Deputy Speaker, Sir, although the Minister has done very well to have a Budget that is actually financed by us and not donors, the key challenge of creating a Kenyan economy that is efficient and low-cost has not been achieved yet. That must be done if we are going to compete with countries like China and India in the long-term. We need to create an efficient and low-cost economy in this country. With a 14 per cent inflation rate, we cannot make it; with the kind of wages that we have that cannot lead to productivity, we are really wasting our time. Therefore, it is important that the Minister looks at that issue.

Mr. Deputy Speaker, Sir, another area that I did not find these proposals on taxation adequate, is the area where you create a base for industrialisation. No matter how well we do in agriculture, at the end of the day, increasingly, our young population is moving away from the rural areas and the *shambas* are getting smaller and smaller. Who is going to absorb these young people? It is the informal sector. However, the informal sector is brought up by industrialisation. Where are the taxation measures in this Budget to indicate that we are trying to create a base for future industrialisation? They do not exist. If anything, we have totally ignored the so-called informal sector.

I would like to congratulate Prof. Anyang'-Nyong'o for including the informal sector in his statistics. However, I do not see those taxation measures promoting that area for the future. The 500,000 jobs we are saying were created last year were created in the informal sector. The formal sector created less than 10,000 jobs. So, who are we really serving? Therefore, we need to look into this sector very urgently.

Mr. Deputy Speaker, Sir, I would also like to encourage the Minister to look into some areas which we have not looked at. I am personally very disappointed that in his Speech, the Minister did not include an update of the Mining Act. Two years ago, I was promised by the Minister for Environment and Natural Resources, that the Mining Act would be reviewed. The current Act was enacted in 1940. Uganda has reviewed its Mining Act of 1981. Tanzania has done the same, and they have massive investment in mining. Why is it that, consistently, the Kenya Government has refused to update the Mining Act? Is there some secret the Government wants to hide from Kenyans? Two years ago, the Minister promised to bring to this House a Bill to review that Act, but he has not done so.

I would like to remind the Minister for Finance that one of the areas in which we can create a lot of economic opportunities, is mining. A lot of employment opportunities will be created if we update our legal statutes. If we do not do that, we will see a lot of investment going to Uganda, Tanzania and Sudan and nothing will come to Kenya. This will not be because we do not have the minerals or the resources, but because our law is obsolete. A 65-year-old law cannot work in the current environment.

Mr. Deputy Speaker, Sir, finally, I would like to join Messrs. Kipchumba and Billow in saying that the Government seems to have accepted that it is inefficient in collection of taxes and, therefore, putting the onus on the taxpayer. In other words, in the traditional way of Kenyans brutalising the weaker members of society, the Government, through the Kenya Revenue Authority (KRA), is brutalising this country's taxpayers. Really, we must stop doing this. The police, the chiefs and the KRA should not continue to brutalise *wananchi*. The KRA and us are partners. Therefore, we should work as such. It should not brutalise the taxpayers.

With those remarks, I beg to support.

Mr. Khamasi: Thank you, Mr. Deputy Speaker, Sir, for giving me a chance to contribute to this Motion. I want to confine myself to the Minister's proposals, contained in his Financial Statement.

First of all, I want to, generally, talk about what the Minister tried to achieve. The Minister, generally, steered clear of taxing the ordinary Kenyans. He gave tax waivers to certain commodities, hoping that the ordinary Kenyan will reap the benefit of that action. That has not come to be. This is an area, where, perhaps, the Minister should try to find ways and means of dealing with the companies that have been given waivers but are not passing over the same to the ordinary *mwananchi*.

Mr. Deputy Speaker, Sir, the removal of duty on pharmaceutical products was very welcome. One wonders when the benefit of this waiver will be passed on to consumers, particularly those in the health sector where, due to unaffordability of HIV/AIDS management drugs, people are dying *en mass*. The benefit of this waiver should be passed on to the consumers. So many people have now been infected with HIV/AIDS. The benefit of removal of duty on pharmaceutical products should have been passed on to the people who are infected with HIV/AIDS, so that they can benefit.

The Minister should find out, through his own mechanism, how long the old stocks of Liquefied Petroleum Gas (LPG) will last, so that our people can reap the benefit of the waiver given to this particular commodity. As one of my colleagues said, only a few people in this country use that product and we still want to know when the old stocks will get finished before the people benefit from the waiver given.

Mr. Deputy Speaker, Sir, one area that has not been exploited, which can benefit a lot of people in this country, is the fishing industry. In his wisdom, the Minister removed duty on refrigerated trucks. This is an area where there should be inter-ministerial consultations. If co-operative societies operating along the shores of Lake Victoria and the coastal line can afford to buy refrigerated trucks because of the waiver of duty, the Minister for Transport should be ready to put the infrastructure in place. As we know, refrigerated trucks are very delicate. They require good roads for them to function properly. So, there might be need for an inter-ministerial action, to ensure that the Ministry that provides good roads does its bit to ensure that the vehicles can be able to move efficiently.

Mr. Deputy Speaker, Sir, another thing that the Minister for Finance did - which is also welcome - was changing the taxation point of petroleum products to the point of importation. The Minister went ahead to say that he hoped that this tax will now not be passed on to the consumers. However, the reverse has happened. The consumers are now the ones who are bearing the brunt of that tax, and one wonders what the Minister will do about it. While contributing to the Motion on his Speech, I asked what he would do. Now, this same cost has been transferred to the consumer. So, it is necessary that he looks for ways and means of ensuring that importers do not pass on that cost to the consumer.

Mr. Deputy Speaker, Sir, with regard to Value Added Tax (VAT), the Minister has zero-rated maize flour, milk and kerosene. That is why we do not have any quarrel. I believe that in the course of the debate on this particular Motion, there will be no quarrel about the Minister having taxed the ordinary *mwananchi*, because he has zero-rated the most commonly used items. Again, the question is, even after zero-rating these important commodities, to what extent has this had an effect on the ordinary consumer? Three weeks after presentation of the Budget to this House by the Minister, these commodities continue to be costly. There is no effect whatsoever.

The Minister, literally, made a Financial Statement, knowing very well that it would not be implemented. So, what is the use of us coming here to listen to the Minister present his Budget, and applaud him, thinking that it is for the benefit of the ordinary *mwananchi*, only to realise later that the Minister's effort has come to naught?

Mr. Deputy Speaker, Sir, I would like to commend the Minister for calling upon former university students who benefited from the Higher Education Loans Board (HELB) to repay their loans. It is very important that the HELB recovers all the money it lent to former university students.

Mr. Deputy Speaker, Sir, this is a very important exercise that must be conducted. There is too much money lying around with people who borrowed loans from the Higher Education Loans Board (HELB). Those people are working and have not repaid these loans. It is necessary that this machinery be put in place for them to repay these loans so that even students who are on parallel programmes and private universities could benefit from the loans, as recently stated by the Vice-President and Minister for Home Affairs when he was in a function in a private university. There is a lot of money lying out there, and it is only good that we make them pay because they are able to do so, so that we can extend that benefit to other people who can use it and who are really in need.

Mr. Deputy Speaker, Sir, I also want to commend the Minister on his statement about the multiplicity of licences which have increased the cost of doing business in Kenya. This has been a bottleneck, particularly for the entrepreneurs who want to start businesses here. What the Minister has done is very commendable, and I only wish it was done yesterday. I do not know why it is taking long, because he has proposed to abolish 17 licences including trade licence, stock traders licence, hides and skins licence among others. This is very good for business because fewer licences and less money will now be required to start a business and conduct it effectively. This is a very welcome suggestion from the Minister and I believe that if this happens, many people will start business and we should be able to improve this economy.

Mr. Deputy Speaker, I want to generally commend the Minister for his taxation proposals and, as I said earlier, we will have no quarrel about it. But one thing that we require to mention again and again is that these proposals should not just be a singsong; they should be matters which could be concretized so that we can benefit from what he has actually promised Kenyans. It is not good coming here to make statements which he knows very well, at the back of his mind, that they are not going to be passed on to the ordinary citizen; we then applaud him here and that is the end of the story. It is the responsibility of the Minister, using all other Government machinery, to make sure that whatever he promises ordinary Kenyans is adhered to.

With those few remarks, I beg to support.

Mr. Wamwere: Shukrani, Bw. Naibu Spika, kwa kunipa nafasi hii, ili nichangie mambo machache kwa Hoja hii. Ningetaka kuanza mchango wangu kwa kumuuliza Waziri wa Fedha kama kweli anasikiza yanayosemwa na Wabunge, au tuko hapa kupiga makelele tu wakati mambo yote yashaamuliwa? Hata tukiongea mpaka kesho, ama kesho kutwa, na Waziri ameziba masikio, tutakuwa tunapoteza wakati wetu tu. Zamani, wakati wa KANU, ilisemwa kwamba usiwasisikize wananchi wakisema kwa sababu sauti yao ilikuwa kama kelele za chura ambazo hazimzuii ng'ombe kunywa maji. Naona kana kwamba Serikali hii inaamini hivyo; kuwa kilio cha wananchi ni kama kelele ya vyura; waachwe waseme, watachoka na watanyamaza.

Sijui kama Wabunge husikiza vituo vya redio au husoma magazeti, kwa sababu nadhani tutalazimika kuchukua msimamo kama tuko upande wa wananchi au upande wa matajiri, kwa sababu hali ya maisha ya wananchi ni ngumu sana. Wananchi wengi wanafikiria kwamba Wabunge ndio waliosababisha matatizo yote yaliyomo nchini na ni muhimu tuongee kwa sauti iliyo wazi, tukisema tunataka Bajeti hii iwasaidie maskini badala ya kuendelea kuwasaidia matajiri ili watajirike zaidi.

Bw. Naibu Spika, sifa ya Waziri Mwiraria bila shaka, sasa imekuwa ya Waziri anayejua zaidi kuwaondolea wafanyabiashara na matajiri kodi. Nasema hivi kwa sababu wakati Bajeti ilipokuwa ikisomwa, Waziri alitupa hisia kama kwamba Bajeti hii ilikuwa ni ya kuwasaidia maskini na kina mama, kwa sababu aliondoa kodi ya vitu fulani. Lakini tangu Bajeti isomwe, bei zimezidi kuongezeka na ni wazi kwamba lengo la Waziri halikuwa kushughulikia maslahi ya mwananchi wa kawaida, bali ilikuwa ni kuwanufaisha wafanyabiashara na matajiri kwa kuwaondolea kodi.

Mwaka uliopita, au mwanzo wa mwaka huu, tunakumbuka kuwa Waziri huyu alimuondolea Waziri mwenzake kodi alipokuwa akinunua shamba, na hatujasahau jambo hilo! Waziri huyu aliwaondolea matajiri na wafanyabiashara chungu nzima ya kodi ambayo ilikuwa imekusanyika wakati ambapo bado tulikuwa na kodi ya mauzo. Ukiangalia rekodi ya Waziri huyu, ni wazi kwamba yeye ni Waziri wa matajiri, na wananchi wa Kenya watakuwa wajinga iwapo watafikiria kwamba wamepata--- Nilisikia wananchi wengine wakisifu namna Bajeti hii inaweza kufananishwa na Bajeti ambazo zilisomwa na Rais, Mhe. Kibaki, wakati alipokuwa Waziri wa Fedha. Sijui kama alifanya hivyo, lakini ninachojua ni kwamba hatuwezi kumtegemea Waziri Mwiraria kwa sababu ameamua yuko upande gani; upande wa matajiri. Nina hakika kwamba Serikali isipoangalia vizuri, sifa yake itakuwa ni Serikali ya matajiri peke yao!

Bw. Naibu Spika, wananchi wanataka kupunguziwa bei ya bidhaa! Hatutaki kupewa tarakimu zinazoonyesha kwamba uchumi unakua, ilhali uchumi huo unaingia mikononi ya matajiri wachache tu. Kama wananchi watafaidika kutokana na kukua kwa uchumi huu, basi ni lazima wapunguziwe bei za bidhaa. Matajiri wa nchi hii hawasikii, na wao sio kama wale wa Bara Ulaya. Matajiri wa Bara Ulaya walielewa zamani kwamba iwapo wanataka usalama, lazima utajiri wa nchi ugawanywe kati ya wale walionacho na wale ambao hawana. Lakini hapa Kenya, tumejitia wazimu wa kusema kwamba twaweza kula tu peke yetu pasipo na kuwajali walio wengi. Huko nje, watu wanalia na kusema kuwa wanataka kupunguziwa bei ya unga, sukari, mafuta ya taa na taulo za kina mama ambazo tuliambiwa zitashuka bei, lakini zimeendelea kupanda. Watu wanasema wanataka kupunguziwa karo za shule za upili kwa sababu watu wengi hawajimudu na hawawezi kulipa, na ile misaada ya elimu tunayowapa haisaidii kuondoa mzigo huo.

Bw. Naibu Spika, hatuwezi kuwa na Serikali ambayo inasoma Bajeti na haijali maslahi ya mwananchi wa kawaida.

Mr. Deputy Speaker: Nidhamu, Bw. Wamwere! Sipendi kukukatiza unapochangia Hoja, lakini ningependa uzungumze zaidi kuhusu mapendekezo ya ushuru kama yalivyopendekezwa na Waziri. Tulimaliza Hoja ya Hotuba ya Bajeti. Wakati huu, tunaongea juu ya ushuru.

Tafadhali, endelea!

Mr. Wamwere: Bw. Naibu Spika, ninazungumza juu ya ushuru kama ulivyopendekezwa katika Bajeti. Hebu tuangalie namna ushuru ulivyoongezwa juu ya bidhaa kama pombe. Leo nimesoma magazetini maoni ya wananchi kuhusu vifo vya watu ambao walikunywa pombe haramu, kwa jina maarufu, *kumi kumi*. Wahasiriwa walisema ya kwamba walikunywa pombe hiyo kwa sababu hawawezi kununua pombe ya kawaida. Kwa hivyo, ni lazima Waziri Mwiraria aelewe ya kwamba wakati anapopandisha ushuru wa bidhaa kama vile pombe anawadhuru wananchi. Ninaweza kusema kwa uhakika ya kwamba Bajeti hii ilichangia vifo vya watu 50 katika Wilaya ya Machakos.

Bw. Naibu Spika, tulitarajia Waziri kutoza kodi mashamba ambayo hayafanyiwi lolote katika Bajeti. Bunge hili lilipitisha Hoja ya kusema ya kwamba mashamba yasiolimwa yanastahili kutozwa kodi. Ni lazima wanaomiliki mashamba hayo watozwe kodi ili wayalime. Ni muhimu sana Serikali

itekeleze mambo yote yanayopitishwa na Bunge hili. Hakuna haja ya waheshimiwa Wabunge kukutana na kuzipitisha Hoja hapa kisha Serikali inazipuuzwa. Waziri hakusema ni kwa nini hakuyawekea mashamba hayo kodi. Kama angeyatoza mashamba hayo kodi ni imani yangu kwamba ingesaidia kuhakikisha ya kwamba mashamba hayo yanalimwa na kuongeza uzalishaji wa chakula na kuimarisha uchumi wetu. Pia watu wetu ambao hawana kazi angepata nafasi za kazi katika mashamba hayo. Waziri akipuuzwa jambo lililopitishwa na Bunge hili, basi inaonyesha ya kwamba haiheshimu Bunge hili. Je, kama hasikilizi Bunge hili, mawazo ya kutayarisha Bajeti anayatoa wapi? Bajeti yoyote ambayo inaweza kuitwa bajeti ya wananchi ni lazima isikize kilio chao. Kama hafanyi hivyo, basi hii ni Bajeti ya matajiri.

Bw. Naibu Spika, nilimsikia Waziri akisema ya kwamba bei hazingeweza kupunguzwa kwa sababu ya mfumo wa uchumi huru ambao unaruhusu bei kupanda juu, lakini hauruhusu bei hizo kushuka. Bajeti yetu hatengenezewi taasisi za kimataifa bali wananchi wa taifa hili. Kodi ambazo zinatozwa ni lazima ziwe za kusaidia kupunguza ufa ulioko kati ya matajiri na maskini. Nimetembea Ulaya, huko kodi huhakikisha ya kwamba Serikali ina pesa za kusambazia wananchi huduma. Kwa hivyo, wanatumia kodi zao kupunguza umaskini. Lakini kodi yetu haina lengo kama hilo.

Bw. Naibu Spika, ni lazima Waziri Mwiraria afikirie kurudisha uthibiti wa bei za bidhaa.

Kwa hayo machache, siwezi kuunga mkono Hoja hii.

Mr. Muturi: Thank you, Mr. Deputy Speaker, Sir, for giving me this opportunity to contribute to the Motion on taxation. I just want to highlight a few of the areas that I have looked through on these estimates of revenue based on the proposed provision of collection of taxes and duties.

Mr. Deputy Speaker, Sir, from the outset, I notice something that is glaring. In the Financial Year 2003/2004, Ordinary Revenue, the Government received a total of Kshs997 million. In the financial year ending 30th June, 2005, that figure went down to Kshs652 million. For the year coming, the revenue is targeted to go down even further to Kshs579 million. That is revenue targeted to come from land. I just want to understand why this phenomenon exists. Is it that Government land has been dwindling or is it the case that the Government is not robust enough in collecting revenue from land as it used to be in the past?

Tied to that is the question that Mr. Wamwere has just raised. I think I must comment on it. On page three, there is the question of Stamp Duty. Looking at the projections, one is able to see that it is possible for the Government to raise even higher amounts from Stamp Duty. But why has the figure been rising so slowly? I believe the reason is because of the discretion that the Minister has progressively continued to exercise in the area of collection of Stamp Duty. I am aware that in his taxation measures and the Bills that he has given notice of, he even proposes not to remove that discretion and do like he has done for petroleum importers who are being asked to pay in advance. Now, what he has proposed is that, in consultation with the Minister in charge of land matters, for the time being, they will be deciding which documents will be exempted from the payment of Stamp Duty. We all know how those consultations are done. We had a glaring case of the Minister for Finance himself consulting with his colleague, the Minister for Co-operative Development and Marketing and deciding to waive the payment of Stamp Duty. All that I am urging the Minister to do and consider is: Either remove that discretion entirely or, in the alternative, require that the holders of all documents to be processed through the Ministry of Lands and Housing, which attract Stamp Duty, shall pay the equivalent of the Stamp Duty required, and then claim, like they require even in the Value Added Tax (VAT). Show justification as to why they should be exempted from payment of such Stamp Duty. If that were to be put as a requirement, then we would have seen the justification that the Minister for Co-operative Development and Marketing would have given in applying to be exempted from paying Stamp Duty.

Mr. Deputy Speaker, Sir, another interesting area which is of concern to me, because of some

other information available in Government, is the revenue expected to be collected from forest and mining operations. In the year 2003/2004, the revenue collected was over Kshs172 million. In the year ending 30th, June this year, the revenue collected was over Kshs332 million. In the coming year, the revenue to be collected is over Kshs345 million. My worry is: Is our forest cover increasing, so that we can expect so much revenue? Some concerns have been raised in the Ministry of Environment and Natural Resources and several other international fora that our forest cover is far too below the recommended international standards. So, why is the Minister expecting to get so much revenue from timber royalties? Through that, we could easily be facilitating the speed at which we are becoming a desert.

Mr. Deputy Speaker, Sir, another area of concern to me, is the airport revenue. Last year, the Minister remitted half of what was collected by the Kenya Airports Authority (KAA). The total was Kshs1.808 billion. Half of that money was given as Appropriations-in-Aid to KAA. In the coming financial year, the Minister proposes to give everything, which he estimates to be in excess of Kshs2 billion, to KAA. The same Authority is on record as moving all over the globe, visiting the World Bank and other multilateral donors, seeking for loans. Where is that money going?

Mr. Deputy Speaker, Sir, when you go further, where the Government is giving the indication of loan interest receipts and loan redemption receipts, there is nothing that is expected from KAA. Are we just giving them money for feel-good situations? Are they being paid their pension money in advance? What is happening? I am saying that because, as you know, some of those areas have interesting managers.

Mr. Deputy Speaker, Sir, it also worries me when I look at the loan interest receipts portfolio. From an organisation like the East African Portland Cement, nothing is expected in the coming year. There is also nothing expected from them on the loan redemption receipts. In my view, the whole of that column has one weakness. The column on loan receipts, loan interest receipts and loan redemption receipts is very opaque. It does not tell us how much advances of loans the Government has given to those organisations, and there are very many. For example, you and I know Tana and Athi Rivers Development Authority (TARDA). How much money has the Government given to TARDA because we expect nothing in loan interest receipts and loan redemption receipts? How much did the Government give to that organisation? We need to know so that, if they are on their way to their graves, we can help the Government buy the coffins and put the nails. It is of no use to show us that, for three years running, you expect nothing in form of loan redemption and loan interest receipts from such organisations. They are just as good as dead! Can we be shown how much was given to all those organisations?

Mr. Deputy Speaker, Sir, there is even something about Kenya Co-operative Creameries (KCC). Nothing is expected from them and yet we know that, in the year ending 30th, June, 2005, they received a sum of not less than Kshs500 million from either the Government or a Government guaranteed loan from the Co-operative Bank of Kenya. But we are expecting nothing from them. We are told that, so far, farmers are getting higher pay for their produce. I expect the organisation to be making some profits also. Why, then, would you expect nothing in terms of interest or in form of redemption? What we are saying to the Minister is: "Please, give us some more information! Be a bit more forthcoming with the information that you give to hon. Members!" These figures, as presented here, do not tell us much. We are only told that we are expecting zero from those organisations. We should do away with that and ask the Minister to be a bit more transparent.

With those few remarks, I beg to support.

Mr. Angwenyi: Mr. Deputy Speaker, Sir, we are discussing measures that are going to tax our people. I wish the Minister had clearly stated the objectives of these measures. He should have given us objectives that can assist our people. For example, he should have told us how many jobs will be created by the measures he has proposed on Customs Duty. Then, we would be addressing the

issues affecting our people. When he proposed measures on Excise Duty, he should have told us how many jobs will be created for our youth. He should then categorise those jobs. There should be jobs for people who have graduated from the universities, tertiary colleges and high schools. That way, we will not have a problem when we are told: "We have created 1.2 million jobs!" But when we are told that 1.2 million jobs have been created and Kitutu Chache has not received one single job, there is a problem. Majority of hon. Members tell me that they do not know anybody from their constituencies who has taken one of the 1.2 million jobs that have been created.

Mr. Deputy Speaker, Sir, it is high time we directed taxation measures to issues that affect most Kenyans. Take for example, inflation! How do these measures tackle inflation? The Minister has increased the Income Tax Allowance by Kshs30,000 per year. That serves a period of almost five years. But what is the impact of inflation during that period? I believe that inflation in the last five years has increased by 100 per cent. Therefore, it would have been understandable if the Minister increased the allowance from Kshs210,000 to about Kshs450,000. That would take care of the effects of inflation in the economy.

Mr. Deputy Speaker, Sir, the measures that have been taken on Customs Duty do not take care of our needs as tea farmers. A few months ago, we had a problem of marketing our tea. That is because Pakistan retaliated against our measures. For some time, we did not know what to do with our tea. Tea affects a substantial portion of the population of this country. It is a mainstay of our economy. When we joined the East African Customs Protocol, we did not look at those issues and effects. Those are issues that go right to the stomachs and minds of Kenyans. I know that our Government is weak enough to accept whatever it is told by Bretton Wood Institutions. I am talking about the International Monetary Fund (IMF) and the World Bank. Sometimes, the Government wants to camouflage the conditions that are given by those institutions. I believe that, instead of taxing our people, the Government should stop paying debts that were incurred without our consent. If we refuse to pay those foreign debts, which amount to Kshs90 billion a year, we will not have to impose these measures. The amount of money that we will save will be enough to do all the road network in this country. I wish the Minister could avoid some of these taxes and tackle the issue of paying those debts. We have not been forgiven our debts because we are able to pay. Yet, we still go to those countries to borrow to come and pay. If we took the model case of Malaysia or Argentina a few years ago, where they said they did not want to tax their people to pay debts, we would go far. If we do not pay debts, there is nothing America can do. They cannot take us to the International Court of Justice because they are not a signatory to that court. So, we can stop paying our debts to America and we utilise those funds for development in this country.

Mr. Deputy Speaker, Sir, we have had a lot of these conditionalities and pressures imposed upon us by the Bretton Wood Institutions. But you cannot tell me the benefit of those conditionalities. For example, we had the Structural Adjustment Programmes (SAPS). There is no positive impact of those SAPs in this country; if anything, they destroyed our infant industries. The Minister says that he wants to protect our infant industries. How does he do it when he is allowing the importation of second-hand clothes into the country? How does he protect our infant motor vehicle assembly plants when he is allowing the importation of vehicles from all over the world? How does he protect our industries when he indirectly accepts the contentious issues in World Trade Organisation (WTO)?

We must protect our country. If we want, for example, to reduce the price of petroleum products to Kenyans, the Minister could have reduced taxation from 68 per cent to 40 per cent and you see instantly the effect of that on our prices and production. If he wanted to assist in making factory production cheap, then the Minister would have removed all taxes on anything that needs energy for production. If we wanted to produce more, he should have given incentives to farmers. The Ministry of Agriculture should give prices in advance of cultivation. It is only then that we can give people motivation to produce more.

Mr. Deputy Speaker, Sir, I have seen the miscellaneous measures. Of what effect are these to our people? How are they felt by that poor person in Kibera or Kitutu Chache? These things, like my colleague, hon. Wamwere said, only benefit the people who can afford them.

Mr. Deputy Speaker, Sir, I would like to urge the Minister that, next time he prepares his Budget, before he brings some of these things to the House, he should discuss them thoroughly with the Departmental Committee on Finance, Planning and Trade. The Departmental Committee should actually carry out public hearings whereby they float some of the measures which are going to be imposed, to the public, so that they can give their inputs to make the Budget people-driven.

Mr. Deputy Speaker, Sir, I would also like to urge the Minister to stay firm with the respective banks. Banks impose taxation on Kenyans with impunity. The Minister brought here a Bill which we discussed and, somehow, he quietly removed that Bill. We would like him to bring it back here so that we can address the issue of taxing Kenyans through penalties and interest rates. That is one major element where Kenyans are taxed and the banks make profits, and the Minister taxes those banks and, therefore, gets money through that indirect method.

With those remarks, I beg to support.

Prof. Oniang'o: Thank you, Mr. Temporary Deputy Speaker, Sir. I want to support this Motion. I am on record as complimenting this Minister for the three Budgets he has given us so far. But I do not want him to be spoilt. I hope his last Budget will see him divert most of the money to the poor areas.

Mr. Deputy Speaker, Sir, I get surprised that the Government is doing business as usual and yet, they have an opportunity to do things differently. I believe that the taxation area requires major reforms. I am happy that the Minister himself is here. I know he is listening and he will work on this next time round.

Mr. Deputy Speaker, Sir, when it comes to taxation, I would like to see Kenyans take it as being patriotic to pay tax, and not to evade it. I am aware that, in fact, we very seriously follow the Kenyans who are on payroll, earning little money and yet, we are aware that in our midst, there are many tycoons who do not even pay taxes. So, if we make it patriotic for people to pay taxes and simplify the method of doing it, it would work. In fact, we should employ a public relations approach. I do not know whether the Kenya Revenue Authority (KRA) has a public relations department. They should make Kenyans come forward and honour their responsibility of paying taxes. That way, the Minister will collect a lot more money and, therefore, he will actually reduce the heavy taxation that Kenyans are experiencing right now.

Mr. Deputy Speaker, Sir, coming to the actual Budget, I want to compliment the Minister for removing taxation on pharmaceutical products, although, right now, I am not yet aware whether the prices of medicines have come down. There are certain disease conditions, for example, insulin for diabetics and hypertensive drugs. We are aware that most black people suffer from hypertension. I hope also the prices of malaria medication have come down. Generally, I hope the prices of many of the conditions which are treatable, but which many of our people die from, have been reduced. I hope the Minister will follow through this and see that his measures have taken effect.

Mr. Deputy Speaker, Sir, if the Minister was able to generate more funds from lowering the level of taxation, this could be invested in the informal sector. We want to create jobs in the informal sector and in the private sector within the rural areas. We cannot do so when electricity is not affordable or not even there. I would like to see the Government electrify our rural areas in order to spur more small businesses and collect more money through taxation.

[Mr. Deputy Speaker left the Chair]

[The Temporary Deputy Speaker]

(Mr. Khamasi) took the Chair]

This requires an immediate and long-term strategy. I hope this will happen.

Mr. Temporary Deputy Speaker, Sir, I would like to compliment the Kenya Revenue Authority (KRA). For the first time, the KRA is boasting about having increased its revenue collection. At the same time, we would like to see where the tax that has been collected is going. In countries like Norway, you do not even have to own a car. You leave your house, get into a train and go to work. People in Norway are heavily taxed, but the money goes to the transport, health, business and education sectors. Therefore, they can see where the money is going. All they worry about is pension. Even after they retire, they do not have to worry about where their medical care will come from because they will have invested ahead of time. I hope that we can learn from what is going on in the developed world. These are not matters which we cannot achieve.

We are also aware that when salaries of teachers, civil servants, university lecturers and other public servants are increased, they are taxed so heavily that they do not even realise the increase. The Minister should be honest enough. He should not tell us he has increased our allowances and yet more than 50 per cent of the money goes to the Exchequer. This is not fair. We want to appeal to the Minister to do what is being done in other African countries, like Zambia, where Budgetary allocations are discussed in Parliament and Parliament can make changes in them. We should be able to do so. The lumpsum placement of figures without knowing the items that are being targeted is not acceptable. The Minister should be genuine enough. He should realise that Kenyans are aware of their rights. They are aware of what has been allocated to them. When the Minister says that he is lowering taxation, the poor person should actually feel it. I do not believe that this is the case right now.

Mr. Temporary Deputy Speaker, Sir, we have seen in three years the number of Kenyans living below the poverty line rise from 53 per cent to 63 per cent of the total population. This is not acceptable for a country such as ours where there is so much inequity between the rich 10 per cent and the rest of the Kenyans who are reeling in poverty. That is why Kenyans are even hitting at us, hon. Members, as if we are the highest paid cadre in this country, and yet we are not. This is because of the inequity and the poverty levels. Some of them, with their little salaries of maybe Kshs500 per month are required to pay taxes when those who are able are not paying taxes.

I also want to talk about Information and Communication Technology (ICT) since the relevant Minister is here. This field is wanting in the area of reforms. We need to reform the field, so that we can use it to create more wealth. As you are aware, an Information Technology Conference was supposed to take place in Kenya. It did not really take off and that is not good for this country. We can use the ICT to create jobs in urban and rural areas. I hope the Government will do something about this and remove the recent shame from itself.

With those few remarks, I beg to support.

Capt. Nakitare: Asante Bw. Naibu Spika wa Muda kwa kunipatia nafasi hii ili nami nichangie Hoja hii ya fedha.

Kuna mambo mengi ambayo tunazungumzia. Kodi inaiwezesha Serikali kuendeleza shughuli zake. Tunajua kwamba Serikali haifanyi biashara. Ningetaka kuongea kuhusu kodi ambayo inalipiwa vitu ambavyo vinatoka nje. Mara kwa mara tumeambiwa kwamba katika Bandari ya Mombasa kuna mizigo mingi ambayo imekaa hapo hata zaidi ya miaka mitatu. Watu huumia sana kwa sababu kodi hii inazidi kuongezeka. Kodi inayolipiwa mizigo ambayo inatoka nje haina faida kwa nchi yetu kwa sababu inawazuia watu kuleta mizigo yao hapa.

Waziri anafaa kuchunguza ni kwa nini kuna mchafuko katika Bandari ya Mombasa. Kuna idara nyingi sana katika Bandari ya Mombasa na wafanyabiashara wanalazimika kulipa kodi aina nyingi sana kama vile 28. Watu wetu wanaumizwa na watu wa nje wanaogopa kuleta bidhaa hapa nchini. Bidhaa nyingi zinaingizwa kupitia Dar-es-Salaam, vichochoro, Namanga au Busia.

Bw. Naibu Spika wa Muda, ningetaka kuongea kuhusu kodi ambayo inalipiwa mapato. Kenya ni nchi ya kilimo. Kodi hii humiza mkulima mpaka hawezi kununua mbolea. Bei ya mbolea imeongezeka sana na wakulima wanaumia sana. Wafanyabiashara wa katikati wanaongeza bei za bidhaa sana na hizo bidhaa zikifika kwa duka, wananchi hawawezi kuzinunua. Hapa nchini, watu waliokuwa na nguvu sana wamedhoofika kwa sababu hakuna kazi. Serikali inasema kwamba kumekuwa na nyongeza ya nafasi za kazi. Idara ya Wafanyakazi inasema kwamba nafasi za kazi zimeongezeka lakini mimi sioni viwanda. Serikali inasema kuwa nafasi za kazi zimeongezeka lakini ukiangalia katika viwanda vya ndege, utaona kuwa makampuni yanafilisika na watu wanafutwa kazi. Kwa mfano, katika Uwanja wa Ndege wa Wilson, kampuni mbili zimefungwa na karibu watu 300 wamepoteza kazi. Serikali pia inapoteza ushuru.

Bw. Naibu Spika wa Muda, ningetaka kuongea kuhusu kupunguzwa kwa wananyakazi wa Serikali. Serikali ikipunguza wafanyakazi wake, inapunguza ushuru ambao unatoka kwa wafanyakazi hao. Waziri anafaa kuangalia jambo hili na kuvipanua viwanda ili nafasi za kazi ziongezeke. Anafaa kupunguza bei ya mbolea ili mkulima katika Trans Nzoia apate mavuno mengi. Hii itamuwezesha mtu anayetoka Kitale kuenda kilomita 30 mpaka Saboti akibeba mfuko mmoja wa mbolea kwa kichwa kwa sababu hawezi kulipa nauli ya *matatu*.

Bw. Naibu Spika wa Muda, ukiangalia kodi ya mapato, tumeambiwa kwamba GDP ni asilimia 21. Hapa Bunge **Capt. Nakitare]**

kuna rehani, na kodi tunayolipa kwa hizo pesa tunazopewa kununua nyumba ni asilimia 25. Inaonekana tulikopeshwa pesa hizo ili tulipe pole pole. Hiyo ni kama panya anayekuuma na kukupuliza. Mambo ya kusema ya kwamba kuwe na pesa ya kando kando ingielelezwa ni ya aina gani, kwa sababu hii ni kodi. Kwa nini isiitwe kodi ndogo ndogo? Kodi hii ikitozwa, itawaumiza watu wanaofanya biashara reja reja kule Kitale.

Msimamo wa Bajeti ya 2006 ambayo imepitishwa hapa ni Kshs112 bilioni kwa nusu ya mwaka. Hizi pesa zinatoka kwa mifuko ya Wakenya. Kenya ni kama ng'ombe anayetupa maziwa. Usipoupatia chakula, hautapata maziwa. Sauti ya mnyonge aliye barabarani bila kazi haisikiki. Yeye hatoi kodi. Jambo la kusikitisha ni kwamba kuna watu watoro hapa Kenya, haswa Nairobi wanaofanya biashara kubwa kubwa. Ukienda Eastleigh, Woodley na South C, utapata kwamba watu hawa wanafanya biashara. Wanakaa katika nchi hii kama watoro na hawalipi kodi. Je, Waziri anachukua hatua gani kuona ya kwamba mtu yeyote anayenyosha mkono wa kufanya kazi analipa kodi sambamba na Mkenya?

Bw. Naibu Spika wa Muda magari mengi aina ya *matatu* yanayosafirisha abiria hapa nchini, si ya Wakenya. Ingefaa yatozwe kodi ili watu wanaotoka nchi za nje na kuja kufanya biashara humu nchini wajue kwamba watalipishwa kodi. Inafaa tuwatoze kodi kama Wakenya wengine ili wapate cha mvunguni hapa nchini. Hatuwezi kusema ya kwamba njia yetu ya kutoa kodi ni nzuri. VAT imekuwa mzigo kwa wakulima. Ningependekeza Waziri aondoe kodi inayotozwa kwa mafuta yanayoletwa nchini. Kama Waziri wa Fedha angelikuwa mcha Mungu, angemfikiria yule mama ambaye amezoea kubeba kuni kwa kichwa akienda kupikia familia yake---

The Minister for Finance (Mr. Mwiraria): On a point of order, Mr. Temporary Deputy Speaker, Sir. Is it in order for the hon. Member on the Floor to imply that I am not a God-fearing Christian?

Capt. Nakitare: Bw. Naibu Spika wa Muda, kama Waziri ni mcha Mungu, basi ingefaa amfikirie yule mama ambaye hawezi kumudu bei ya mafuta taa. Ikiwa hawa akina mama wameshindwa kununua mafuta ya taa, watanunua gas namna gani?

Ninaunga mkono Hoja hii.

Mr. Omingo: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me the opportunity to contribute to this Motion. I want to start by saying that Kenyans are indeed heavily taxed. With nostalgia, I do remember my tenure in the Kenya Revenue Authority where you would find that

somebody paid his tax with a smile and yet he could not drive his vehicle on a smooth road in this country.

We are talking about this religious Kenyan who is targeted every other year to pay taxes. Since we intend to collect this money from Kenyan taxpayers, let us have that tax that is paid with results coming on the table of the taxpayer. Some time ago, I said that Kenya now needs to be looked at like a limited company. Since the shareholders are Kenyans themselves, then the taxes they pay in terms of social value, must reflect on them.

Mr. Temporary Deputy Speaker, Sir, I am saying this with a bit of pain because the same taxpayer who was on record last year, is the same taxpayer today. The reason is, that we have not even brought any tax debts by implementing the Personal Identification Number (PIN) programme. According to the PIN Programme that was introduced, if you carry out a transaction beyond a particular margin, then you either need to declare the income from that investment or the source where it was taxed before you got the money. The PIN Programme has been abused. It is not being implemented as intended, and nobody is following up this issue.

Mr. Temporary Deputy Speaker, Sir, I want to challenge the Minister for Finance, that upon implementing the PIN Programme, we shall bring many more Kenyans into the tax bracket. The effect is that the tax paying burden will be widely distributed among Kenyans and the tax rate will come down. Most importantly, we must be able to reflect and mirror on the tax paying public, the effect of that tax they pay. You will find that you do not want to pay taxes simply because the tax you pay is heavier. Therefore, you would rather pay a consultant to plan your taxes, thereby making the revenue go down.

If the tax rates were low, then Kenyans would voluntarily pay taxes. As one hon. Member said, you actually need to give your cow Maclick salt for it to produce more milk. They should see smooth roads and have affordable healthcare. They should see the results of their efforts through the social welfare of this nation, in terms of improving the well being of our people.

Mr. Temporary Deputy Speaker, Sir, when I look at the Budget, I realise that the Minister did not put serious emphasis on public debt. We are a country just about to be insolvent and that is the reality. Today, we have Kshs700 billion in debt and this is actually a shame. If we were a company limited, the creditors would be knocking on our doors today to auction our country.

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Omingo. I have been listening to you. That would have been a very suitable contribution to the Budget Speech. But I have not heard you addressing the Minister's proposals on taxation.

Mr. Omingo: Mr. Temporary Deputy Speaker, Sir, basically, I am proposing ways of helping the Minister levy taxes to support the Budget he brought to us. I am only trying to bring him in line with what he should have done best to have these issues on board. It is critical because at the end of the day, it is the revenue that we use for expenditure that brings about the shortfall.

Mr. Temporary Deputy Speaker, Sir, the taxes which the Minister is requesting us to impose on Kenyans would have been done better. I am suggesting that for us to be able to increase the revenue rates that Kenyans are asking for, he should induce Kenyans so that at one time we have surplus revenue as opposed to expenses, in order to reduce the debt burden. I am trying to help him get in line with what we expect.

Mr. Temporary Deputy Speaker, Sir, there is a possibility of introducing a cash register. I am talking about Income Tax. I am not talking about the Budget. The cash register would help broaden that net, because there would be no revenue leakage. We have a law that criminalises issuance of fake cheques. We are suggesting that the Minister expedites this law so that we can have all the money through official channels. If we do not trust cheques, the result will be that people will want to transact in cash. It is easy to run away from paying taxes if you have a matrix account. I am only trying to help the Minister, because at the end of the day, we want to have revenue flowing in and the KRA

over-shooting our target. By extension, we shall have more CDF funds in the kitty.

Mr. Temporary Deputy Speaker, Sir, the issue of cash registers is critical. The Minister must improvise a way of training those who are using them. We may assume that the cash registers will help us collect VAT, but the problem is that the same people who manufacture these gadgets may be the same ones to create loopholes. This can well be described by the phrase; "garbage in, garbage out."

Let us have Kenyan taxpayers treated fairly in terms of flow of information and knowledge of use of the machines. I want to suggest that the price of the cash registers be subsidised.

I have been wondering why we cannot get a cheaper source of cash registers than we have today. After all, taxpayers have to buy them and the Government has to reimburse them a lot of money instead of saving by procuring these machines cheaply. I want to impress upon the Minister for Finance that as he insists on the Kenya Revenue Authority (KRA) to collect taxes, he should also provide an enabling environment for the employees to operate in. I appreciate that he has been trying to narrow the gap between the two payrolls which exist there. These are the executive and the ordinary man's payroll.

I am sure that the Minister for Finance has done a lot to narrow the gap between those two payrolls. The two payrolls can be likened to a father eating food from a table while the children eat from the floor. Narrowing of the gap between the two payrolls has been tested and can work. The gap still exists. The gap demoralises the junior employees of KRA. We have to make the taxes on the payrolls even, so that we have the same spiced food, although in different portions. We should not have differently cooked food but with different spices. That is what we must address in order to have the KRA staff motivated. We know that the junior officers are the ones who access the collection of revenue. We know the consequences of demoralising them. This would cause loss of revenue. We know that it is also important for the Minister to realise that work environment motivates employees to offer better service. The officers have been achieving their target which we commend them for. We want the Minister to move faster and give them better motivation so that they can be able to deliver better service.

Finally, we have referred to this Budget as that of the poor. What touched me most was the reduction of Excise Duty on four-wheel drive vehicles, which had brought about a class difference. For the Government to encourage ordinary people to own cars, it was quite critical for it to either increase or decrease the taxes of imported vehicles of lower engine capacity. When we become too generous with heavy consumers of fuel, we lose foreign exchange which we dearly need.

I want to comment on an issue that the Minister talked about in terms of efficient use of resources. His Ministry merged the Income Tax Department with that of VAT. That was a wonderful idea for the sake of maximising the use of resources. However, the workload and salaries for employees under these departments remained the same. For us to improve our tax payment network, we should motivate KRA employees. Kenyans who are taxpayers should also start seeing a positive change in terms of services provided by the Government. Thank God, there is the free primary education programme. But the Government needs to do a lot more, using our taxes.

With those remarks, I support.

The Assistant Minister, Office of the President (Mr. M. Kariuki): Mr. Temporary Deputy Speaker, Sir, I wish to support the Motion on the proposals for Taxation Measures, as stated in the Order Paper. It is important to realise that Taxation Measures are important, more specifically when we have to ensure equitable distribution of resources and ensure that the gap between those who have and those who do not have is narrowed. I would like to welcome the measures proposed by the Minister, bearing in mind that we are now in a Customs Union. We have the Customs Union Protocol, and most of our policies will have to come under the East African Customs Union. It is important that we protect our policies and domestic industries as we go on with the Taxation Measures.

Regarding the specific Taxation Measures that have been proposed in the Legal Notice, I have

a concern which I am sure the Minister will look into. Today, we are experiencing very stiff competition between multinational companies and our local entrepreneurs who are trying to venture into areas which are under the monopoly of multinational companies. I am concerned about the provisions relating to petroleum and what has been proposed in the Legal Notice No.47. I think this is likely to give advantage to the more established companies and dealers, to the disadvantage of our people who are trying to come up in this area. Paying of duty upfront is most welcome in terms of efficiency in tax collection, but I think those who do not have a lot of money will be at a great disadvantage. I would like to urge the Minister to take a second look at the provisions of the notice, so as to ensure that our local entrepreneurs are not disadvantaged because these are people who have to depend on small capital investment. When they lack money to pay for duty, they have to go to a bank and borrow. The time limit stated in which they have to pay is quite a constraint, not to mention that if they get a guarantor, some interest will have to be levied. That is something which we have to look into because we need to empower our people. We need to make them more competitive vis-a-vis those who are more established such as the multinational companies.

Regarding measures on VAT, I would like to welcome the provisions where withholding agents have to pay a penalty of 10 per cent of tax due or Kshs10,000 penalty for withholding tax. Many times, the Government has lost a lot of money to agents who do not submit this money to the Government. This will be a way of deterring them from this established practice of not remitting VAT.

The reduction of VAT on Liquefied Petroleum Gas (LPG) products and sanitary towels is most welcome. But I have one concern regarding prices going down. This seems to be a problem. It is now two weeks after the Budget was read and yet, we have not seen any noticeable changes in the price levels. I think the Minister needs to look at the conduct of dealers in these sectors. If the Minister's intention is to ensure that the tax reduction benefits trickle down to our people who are disadvantaged, our women and daughters, it is important that this exemption and removal of VAT benefits the consumer. We hope to see these changes effected in the next month or so. The Minister should check the practices of dealers in these sectors so that tax benefits do not benefit them alone, but the consumers too.

Mr. Temporary Deputy Speaker, Sir, I wish to support the removal of VAT on foods. This is one way of ensuring that poor people in this country access food. We also will ensure that we bridge the gap between the rich and the poor because food is an expensive commodity for most people. When taxes are lowered, it is basically for the disadvantaged class. I hope that in the fullness of time, the Government will be able to remove VAT on all essential foods which our people depend on for survival. Right now, we are talking about maize flour, milk and kerosene, but there are other items that should also be put under this bracket to ensure that our people benefit from the tax waiver.

Mr. Temporary Deputy Speaker, Sir, regarding the issue of the Income Tax measures that the Minister has proposed, married women for a long time have concealed their status. Some of them are married, but they do not even change their names because of fear of taxation. This is because they are required to disclose their husband's income. Taxation returns have to be done with full disclosure. So, we have people, really, who are married, but for fear of coming out in the open, and saying: "This is my husband, he is working", they have had to conceal that information. I believe that with the taxation measures envisaged with Income Tax, it is proposed that married women who opt to file separate returns be allowed to do so, is a welcome gesture. There will be more openness and couples will be able to live happily without having to disguise their marital status.

Mr. Temporary Deputy Speaker, Sir, regarding the issue of the Higher Education Loans Board (HELB), I think many students who have gone through university education have got away with the loans that they obtained from the HELB. The proposed measures to ensure that the HELB is able to obtain addresses of former beneficiaries from employers and the Kenya Revenue Authority (KRA) is a major step in terms of ensuring expeditious recovery of the money that has been invested in

education of these persons who are now working. This money needs to be recycled to be able to benefit other students who need to have education at university level.

Mr. Temporary Deputy Speaker, Sir, regarding the issue of housing, and this is very important, the Minister proposes to increase mortgage interest relief from Kshs100,000 to Kshs150,000. Shelter is a very critical part of our people. Some of the most basic rights of an individual are really to have shelter, clothing and food. It is encouraging to see the Minister bring up this particular relief on interest and also enhance the mortgage bracket to Kshs150,000. That is most welcome since this will assist many poor people who do not own houses to be able to have shelter.

Mr. Temporary Deputy Speaker, Sir, regarding the issues of planting trees and conservation of the environment, the proposal to declare eucalyptus, pine and cyprus as permanent crops and thereby ensuring that they are not tax deductible is good. Today, we, as a country, are told that we are far short of the minimum forest cover that we require to have. We have seen our forests destroyed wantonly. One way of ensuring that we recover this lost forest cover is to encourage individuals to grow more trees. Across the countryside today, you will find people planting genetically modified trees which grow within four to five years and they are able to make huge profits. That may be a quicker way of recovering our forest cover. The proposed measure is a positive step towards that particular direction.

Mr. Temporary Deputy Speaker, Sir, the Minister's proposals are sound. They should be supported since they will go a long way in ensuring that our people get the necessary relief from tax burdens that they have had.

Finally, Mr. Temporary Deputy Speaker, Sir, on the issue of the Customs Union, it is important to have a second look at our laws. We continue to make national laws yet we are aware that we have a treaty that says that the Community law would be supreme. On the other hand, we have a Constitution which says that our national laws and national Constitution would be supreme to any other law. We need to harmonise and synchronise our laws. Since we have a Customs Union, our Custom Duty and Excise Tax should be synchronised to ensure that we do not receive legal challenges.

With those few remarks, I beg to support.

The Minister for Information and Communications (Mr. Tuju): Mr. Temporary Deputy Speaker, Sir, the Budget that was presented by the Minister for Finance was one of the most well thought Budget that we have had in the history of this country. I would like, therefore, to congratulate him for a job well done. Indeed, I wondered as to how he was able to do so much for so many sectors of our economy. This Budget is friendly to both the poor and investors. It is a Budget that encourages Kenyans to work, save and invest.

In my discussion with him, he said that he was able to do that also due to the resilience of Kenyans, their hard work and most importantly, their recent compliance with our tax system. They have been paying taxes and, therefore, the Minister was able to come up with a good Budget. As much as we congratulate the Minister, we should not forget to congratulate the Kenyans who have gone out and paid taxes. That is what has made us have the kind of Budget that we had.

Mr. Temporary Deputy Speaker, Sir, this Budget borrows from some best practices that we have seen in the Far-East, especially, with respect to providing incentives to Kenyans and foreigners to invest in this country. It is crafted to lower the taxes as much as possible so that there is incentive for people to work and develop themselves and by doing that, developing the country. I am especially happy because a significant portion of this Budget was allocated to education. There is no precedence of any civilisation in this world of any significance without literacy and numeracy. In this country, our free primary education is not just a cliché but it is at the very foundation of moving this country from a backward society to a developed society. There is no precedence in history where anybody has been able to become a developed country, whether we are talking about the Roman Empire or any other

empires that have followed, like the British or Chinese empires---

Mr. Omingo: On a point of order, Mr. Temporary Deputy Speaker, Sir. When I was talking about revenue measures and bad debts, recovery and gaps, you cautioned me and I went straight to the taxation measures. Is the Minister now discussing Budget or the proposed taxation measures?

The Temporary Deputy Speaker (Mr. Khamasi): In fact, I was just following the Minister and was about to say that. Today, we are dealing with taxation measures. So, confine yourself to what the Minister has proposed in his Statement about taxation measures.

The Minister for Information and Communications (Mr. Tuju): Mr. Temporary Deputy Speaker, Sir, thank you for reminding me. I will keep it brief. But that was my only opportunity to talk about the whole Budget. I took a licence to say some of the things that I could have said. I appreciate that guidance, though.

Mr. Temporary Deputy Speaker, Sir, if taxation is seen by Kenyans as punitive or as something that they are forced to do, we are not likely to go very far in terms of improving our tax revenue base. But in this particular proposal for taxation by the Minister, I would like to compliment him for, at least, making those considerations. I would like to appeal to Kenyans that this country will only be developed by ourselves. We can, once in a while, rely on donations from other countries, International Monetary Fund (IMF) and the World Bank. But, at the end of the day, it is Kenyans who have to pay the bill. Even donor agencies are comfortable doing business with us if they see from our tax base that we can pay back whatever we borrow. Unless we pay taxes and increase our tax revenue base, this country is heading nowhere.

With those few remarks, I beg to support.

The Assistant Minister for Regional Development Authorities (Mr. Odoyo): Mr. Temporary Deputy Speaker, Sir, I wish to add my voice to the very excellent Budget that was read by the Minister. I wish to comment on the fiscal aspects that we are discussing today, as opposed to the monetary aspects which, I believe, will be discussed at a later date. The Budget presents the Minister with a valuable tool of intervening in the economy and injecting growth. I believe that the fiscal policy that is in place today will go a long way in rejuvenating the economy. I wish to add my voice to a few areas, especially on Value Added Tax (VAT) and Customs Duty.

Mr. Temporary Deputy Speaker, Sir, VAT is always an indirect tax which, at the moment, stands at 16 per cent. I wish to commend the Minister for not raising it to a higher level, as had been envisaged by certain individuals. In fact, some commodities disappeared from the market with the hope that VAT will be increased. Fortunately, the Minister chose the better option and kept it constant at 16 per cent. The increment in the punitive measures that the Minister has put in place, especially the penalty of 10 per cent for any taxation that may be withheld by what we call "cowboy VAT agents", who continue to fleece *wananchi* by withholding VAT and not remitting it to the Minister, are most welcome. I believe that is a positive step. It is in line with the continuing exercise to seal the loopholes that some Biashara Street traders use to fleece this economy, either through Customs Duty or VAT.

Mr. Temporary Deputy Speaker, Sir, the harmonization on VAT with the East African Community (EAC) countries is still an issue. I believe that the tariff is still not the same in Uganda, Kenya and Tanzania. But, perhaps, in future, the Minister may consider harmonising that tariff. If we have different VAT regimes in our three countries, it will become very difficult as we move towards a similar Customs Union. I am not aware if that will be a subject of discussion in the forthcoming Budget. If it is not, then I appeal that it should be.

Mr. Temporary Deputy Speaker, Sir, moving very quickly to Customs and Excise Duties, the prices of all vehicles, especially the Customs Duty which is at the rate of 20 per cent, will go a long way in barring people who have been seeking rent and bribes at the Customs. We have a flat figure of 20 per cent for all vehicles, no matter the engine size. A few hon. Members have commented that by putting it at a flat rate of 20 per cent, perhaps the Minister is encouraging the larger engine vehicles

which guzzle more petrol and, therefore, perhaps the economy might suffer through a higher oil bill. However, I am quite sure that my senior colleague who is well conversant in matters of economics and finance is fully aware of the potential impact and should it be the case, it will be revised next year so that we should be moving towards the smaller engine vehicles rather than what we call the "oil guzzling giants" that increase our dollar requirements for buying fuel.

Mr. Temporary Deputy Speaker, Sir, the juice industry continues to be a very important one and the Minister has rightly so put in place steps to assist it. I commend him especially also on the reduction of duty on *mitumba* clothes. *Mitumba* continues to be a valuable outlet of clothing material for *wananchi*. The Minister's attempt to make sure that duty on *mitumba* is reduced to a new rate of 25 per cent is a valuable input for *wananchi*.

Mr. Temporary Deputy Speaker, Sir, on pharmaceuticals, we all know about the lack of medicine in our hospitals, especially private hospitals. This will assist us to have lower medical bills and I request the Minister to ensure that pharmacies and hospitals do not overcharge us while buying pharmaceuticals, and their prices should be lowered because all medicines are now zero-rated.

Mr. Temporary Deputy Speaker, Sir, sanitary towels was an issue last year. We commend the Minister for continuing to think of our women folk and we also say that time is ripe that we continue to pursue the possibilities of providing sanitary towels to all girls in high schools.

Mr. Temporary Deputy Speaker, Sir, the relief on fuel especially the idea that the VAT on the LPG has been zero-rated was good. Zero-rating of LPG should reflect lower prices. Up to today, those prices are not coming down and we request the Minister to find out the cause of this. It is over one month since the old stocks have disappeared. The prices continue to be high and, therefore, perhaps we are being fleeced again by the "Seven Sisters"; the seven oil companies who dominate the oil industry in the whole world.

Mr. Temporary Deputy Speaker, Sir, the removal of Import Duty on a range of goods is positive especially on coal, media and computer software, speed governors, seat belts, crude palm oil, spirits, matches, refrigerated trucks and hotel equipment. These are positive steps by the Minister and will indeed lead to growth, especially refrigerated trucks which are essential for fresh fish from Lake Victoria. We continue to request the Minister to consider the possibilities of having refrigerated points at Lake Victoria. Failure for him to do that, we request that the transformers should be liberalised so that by using CDF funds, we are able to import transformers directly to our constituencies and request the KPLC to connect them as long as the specifications are right. In Tanzania, transformers are liberalised. Right now, the KPLC transformers are so expensive.

Mr. Omingo: On a point of order, Mr. Temporary Deputy Speaker, Sir. Without wanting to interfere with the proceedings of this House, is it in order for the Assistant Minister to inform us about what other hon. Members who were on the Floor of the House have already said? We are talking about taxation measures here. Is he really in order?

The Temporary Deputy Speaker (Mr. Khamasi): Order, Mr. Omingo! Hon. Odoyo, you are on track.

Proceed!

The Assistant Minister for Regional Development Authorities (Mr. Odoyo): Thank you, Mr. Temporary Deputy Speaker, Sir, for protecting me from the former Chairman of the Public Accounts Committee. He used to look at Government expenditure. I am fully aware that fiscal matters and Government expenditure are related.

Mr. Temporary Deputy Speaker, Sir, I was talking about the need to have a liberalised market for transformers so that we can enhance rural electrification. I said that because the Minister has zero-rated several items, including coal which is a source of energy. I believe that had the Minister zero-rated transformers, we would be able to import them through the Constituencies Development Fund (CDF). That, perhaps, would enable us realise a valuable input in the rural economy.

There are several miscellaneous taxes that I will not refer to now. However, I would like to talk about information technology because the Minister for Information and Communications, hon. Tuju, is already doing some work with regard to Information, Communication Technology (ICT). E-Government and E-Commerce are critical issues and, in fact, the way forward in politics and business.

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

The Minister for Education, Science and Technology (Prof. Saitoti): Thank you, Mr. Temporary Deputy Speaker, Sir. I am very happy to contribute to this Motion on taxation proposals.

The taxation proposals which were unveiled by the Minister for Finance are an indication that right from the beginning, the Minister wanted to come up with a Budget that is people friendly.

There are new proposals which were introduced by the Minister. If you examine each one of them, you will not identify a taxation measure that is aimed at placing a burden on the ordinary Kenyan. That is exactly what we intended to achieve this time round, especially after having experienced a very severe drought. Secondly, this Motion does not only refer to the new taxation measures, but also to methods that have been used by the Government to actually mobilise collection of revenue. We could also effect the measures that have been stipulated in the Finance Act. We could discuss here whether we should add them or not. However, the truth of the matter is that I do not find any one of them which needed to be adjusted. The interesting thing is that all these taxation measures have been able to reflect a scenario whereby the Minister's intention was to mobilise sufficient revenue so that he could fund a Budget of slightly more than Kshs500 billion.

In the case of the Ministry of Education, Science and Technology, I do welcome that strategy because my Ministry will be the single greatest beneficiary of these resources. The Ministry will benefit from a sum of Kshs96 billion. It sounds like a lot of money, but I think that the very fact that the Government is devoting so much of its resources to education is a clear reaffirmation of the Government's commitment to invest in this core sector. There is a price to pay but much more importantly, if we invest in the future, that, itself is most laudable.

Mr. Temporary Deputy Speaker, Sir, another thing I would like to say is that, there is no way we could be talking in terms of being able to finance a number of agricultural activities, without levying taxation. That applies to all other sectors. This Motion is very important, because the taxation measures we are discussing have been utilised by the Minister for Finance to collect revenue, which is going to be used to fund various development projects. To that extent, this is an extremely important Motion. If we do not pass it, we will derail the Minister's efforts to collect revenue. The most important thing now, is the new measures which were introduced, over and above those which are already in the Finance Act.

Mr. Temporary Deputy Speaker, Sir, with regard to Excise Duty, clearly, the Minister had fewer of the measures under the Excise Duty. I think two of these measures are extremely important; Excise Duty on cigarettes and beer. It is true that the increased Excise Duty on these commodities resulted in a price increase, but I do not think we should be worried about that. First of all, cigarettes have been proven to be the cause of a number of ailments. It has been documented that too much smoking of cigarettes has led to lung cancer.

So, I hope that making cigarettes more expensive will serve as a disincentive, especially for young people, to smoke too much of this stuff. There is no doubt that this is like the chicken and egg game, because if the frequency of smoking decreases, it will affect the farmers who grow tobacco. But, again, which is more important? Is it the revenue that is generated from tobacco smoking or the health of the people? That is why I feel that we should not at all cry about the measures that make tobacco more expensive. After all, people spend money on cigarettes after they have met all their financial obligations. So, they only use what is called disposable income to finance their bad habits.

Mr. Temporary Deputy Speaker, Sir, the same applies to spending on beer. The variation that

has been introduced to the Excise Duty levied on beer will make the commodity more expensive, but I do not think anybody will complain about the fact that the price of beer has gone up except the drunkards.

(Laughter)

While on that point, I know that there is a proposal in the Miscellaneous Tax measures about legalising traditional brews. This is a very contentious issue. It has even become more contentious today, when more than 50 people have died after drinking traditional liquor. I ask myself this question because it is a matter of conscience. If we legalize traditional liquor, is it really going to help this nation in terms of saving more lives or is it going to make more people die? I really do not know the answer to this question. Under normal circumstances, you will agree that--- I will always agree with my colleagues here, but I have a problem of conscience here as to how we end up looking like. I have thought about it especially when so many people are killed. I do not know whether that one is going to encourage people to drink drinks which are proper or not. I think we must be very careful as a nation to make sure that we are not seen, especially by churches and other bodies, as if we want to turn our country into a drunkard country. But I am just putting a rider because it is an issue which in itself is disturbing my conscience. But having said that, I am happy that, indeed, beer will be more expensive and that is probably going to deter those who want to get drunk not to do much of that. After all, it is leisure and it should be taxed. The more you drink, the more you are charged, and I have no worry about that.

Mr. Temporary Deputy Speaker, Sir, let me quickly mention import duty. The Minister introduced very useful measures regarding import duty. For example, he saw it fit to zero-rate duty on pharmaceutical products, diapers, sanitary towels and Liquefied Petroleum Gas (LPG). Why do I commend him for these measures? Pharmaceutical products are extremely important in terms of the well-being of our own good health. Certainly, the cheaper these products are, the cheaper it is going to be in terms of treating people. I think this duty should actually have been removed a long time ago. So, we do welcome that move. I want to commend the Minister on the zero-rating of duty on diapers which are used for children and sanitary pads, which all help in the hygienic aspect. This is going to help girls---

Mr. Temporary Deputy Speaker (Mr. Khamasi): Time up!

The Minister for Education, Science and Technology (Prof. Saitoti): With these few remarks, I beg to support this wonderful Motion.

Mr. Kagwima: Thank you, Mr. Temporary Deputy Speaker, Sir, for giving me this opportunity. Firstly, I want to join my colleagues in saying that whatever the Minister did this year regarding the Taxation Measures in the Budget are commendable. I heard the hon. Member who spoke before the Minister for Education, Science and Technology saying that the taxation on used clothes had been brought down to 25 per cent. If I heard the Minister for Finance well, I thought he had pegged it at 45 per cent. As we talk of 45 per cent, I would want to urge the Minister in future to ensure that taxes levied on equipment used in cotton ginneries and mills should be much lower than they are now. If anything, to encourage our textile industries, we should probably bring the taxes down to 10 per cent or even 0 per cent. This will enable us to produce clothes and textiles cheaply so that they can compete with *mitumba*. Kenyans should know that, of course, as much as the *mitumba* appear cheaper, we are passing the money to people from other countries. I, therefore, want the Minister to consider lowering taxation on the textile industry.

I also want to mention fuel. Looking at the rate at which taxation on petroleum products is going up, I wonder whether there are other hidden measures in terms of taxation that are causing the prices of fuel products to go up. Two years ago, the price of diesel, for example, was Kshs42. Today, it is Kshs63. I understand the cost of crude petroleum products has gone up. But I would like to urge

the Minister to look at that issue and see whether there are people taking advantage of the little tax, he has proposed on fuel, to make more money. An increase of 47 per cent is just too much in two years. I would request him to look at that to ensure that people do not misuse the tax measures that he puts in place.

Mr. Temporary Deputy Speaker, Sir, I would also like to speak about education to Kenyans regarding taxation measures. Two of my colleagues were cautioned to stick to the debate. If that happens at this level, what of the common people who are supposed to be affected by these taxation measures? I think the Minister and his staff should look for a way of educating Kenyans, so that they know how taxation measures affect them. They should also know how much benefits accrue when they collect the little resources and put together as a country. As a result, they will be encouraged to volunteer and pay willingly to develop their own country, instead of being followed up by the tax collectors. Therefore, I think it is important that we go out there and ensure that Kenyans are educated regarding taxation measures and the need to pay taxes.

Mr. Temporary Deputy Speaker, Sir, I would like to request the Minister to continue encouraging the so-called defaulters, rather than finding and punishing them heavily. In the Budget that the Minister read I think he said we collected about Kshs8 billion in the last financial year, out of encouraging the defaulters. Let us encourage them to come forward, so that they can pay the money they have not paid in the past, and we will continue collecting more money.

Mr. Temporary Deputy Speaker, Sir, the other issue I would like to talk about is the Export Processing Zones (EPZs). I know they are not directly mentioned here. But the Ministry of Finance can assist to ensure that we have more areas declared EPZs, so that they can import machines and pay less tax than they are paying at the moment. They will also be able to produce commodities for export, hence earn the much needed foreign currency. This will be part of the education I am talking about. People should be made to know how they will benefit in terms of taxation when a certain area has been declared an EPZ.

The Temporary Deputy Speaker (Mr. Khamasi): The Member of Parliament for Tharaka Constituency, your time is up! You still have got five minutes when debate resumes.

ADJOURNMENT

The Temporary Deputy Speaker (Mr. Khamasi): Hon. Members, it is now time for the interruption of business. The House is, therefore, adjourned until tomorrow, Wednesday, 29th June, 2005, at 9.00 a.m.

The House rose at 6.30 p.m.