

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 8th June, 2011

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

ORAL ANSWERS TO QUESTIONS

Question No.894

INTRODUCTION OF NEW LASER EYE SURGERY PROCEDURE

Mr. Odhiambo asked the Minister for Medical Services:-

(a) whether the Government plans to introduce the “*Epi-Lasik Vision Correction*” method (the new Laser eye surgery or procedure) to public hospitals at subsidized rates for patients who cannot afford the cost in private clinics/ hospitals;

(b) how many such eye surgeons and hospitals are practising the process in the country, particularly in Western Province, where eye problems are prevalent; and,

(c) whether he could clarify whether the procedure has risks.

The Assistant Minister for Medical Services (Mr. Kambi): Mr. Speaker, Sir, I beg to reply.

(a) Under the National Eye Strategic Plan 2011/2015 currently being finalized, the Ministry plans to introduce the *Epi-Lasik Vision Correction* method in the national referral and training hospitals; that is, Kenyatta National Hospital and Moi Teaching and Referral Hospital. Thereafter, it will be progressively introduced in lower level facilities with a bias towards regions with endemic eye problems. It is the expectation of the Ministry that when introduced, the procedure will cost less in public hospitals as they are not for profit.

(b) Ideally, *Epi-Lasik Vision Correction* is supposed to be carried out by ophthalmologists-corneal specialists who are rare to find. However, general ophthalmologists can also carry out the procedure after a period of training or exposure. Currently, there are four eye surgeons carrying out the procedures in the country. One is based at a clinic at the Sarit Centre while the other three provide the services at Eagle Laser Centre along Ngong Road. All the four are general ophthalmologists who have acquired skills in procedure. As is clear from this description of the uptake of the procedure in the country, there is no *Epi-Lasik* treatment centre in Western Province or

outside Nairobi for that matter. Needless to say that there are no specialists practising the procedure in Western Province.

(c) Like any other medical procedure, *Epi-Lasik Vision Correction* has associated risks. This includes over-correction, under-correction, optical aberration, decentred ablation, corneal haze and dryness of the eye. Of course, the proper functioning of the laser equipment and the mental disposition of the clinician has a bearing on the correction quality.

In comparison, contact lenses and spectacles work just as well but have the advantage that a faulty or incorrect device can only be changed or replaced. This, therefore, remains an attractive option for patients averse to the risks. However, the eye surgeons doing the procedure are trained to avert the risks through patient assessments and preparations. This enables them to identify those who can benefit from the procedure and---

ARRIVAL OF HIS EXCELLENCY THE PRESIDENT

Mr. Speaker: Order, hon. Members! Please, be up standing to welcome His Excellency the President!

(All hon. Members stood up in their places while His Excellency the President took his seat in the Chair of State)

Mr. Speaker: Hon. Members, you may resume your seats.

(All hon. Members resumed their seats)

Hon. Members, you will notice that His Excellency the President has sat on the State Chair. The seat on the right hand side of the Speaker is the State Chair and the President is entitled to sit on that Chair.

Proceed, Mr. Assistant Minister!

(Resumption of Oral Answers to Questions)

The Assistant Minister for Medical Services (Mr. Kambi): Thank you, Mr. Speaker, Sir. I was just about to conclude my reply.

However, the eye surgeons doing the procedure are trained to avert the risks through patient assessments and preparations. This enables them to identify those who can benefit from the procedure and those who cannot. It also enables them to determine patients who should be monitored for possible complications.

Mr. Odhiambo: Mr. Speaker, Sir, I thank the Assistant Minister for the elaborate answer he has given. In his answer, he has indicated that there are only four such specialists dealing with this problem in this country; out of 40 million Kenyans. What arrangements has the Ministry made to train more surgeons for purposes of availing this facility to more Kenyans?

(Mr. Wako crossed the Floor without bowing to the Chair at the Bar)

The Assistant Minister for Higher Education (Prof. Olweny): On a point of order, Mr. Speaker, Sir. The Attorney-General, Amos Wako, crossed the Floor without bowing to the Chair at the bar.

Mr. Speaker: Order, Mr. Amos Wako! Please, comply and go to whichever side you wish to!

(Mr. Wako walked to the Bar and bowed to the Chair)

Proceed, Mr. Assistant Minister!

Mr. Kambi: Mr. Speaker, Sir, I had said, earlier on, that we have set up a committee to look into this. I am sure that, in the next financial years, we will consider training more specialists in this faculty.

Mr. K. Kilonzo: Mr. Speaker, Sir, considering the fact that we are now moving to county governments, what arrangements has the Government made to ensure that these machines are put, at least, in one hospital in every county to avoid people from travelling long distances and so that every county can be self-sufficient?

Mr. Kambi: Mr. Speaker, Sir, we are decentralizing all our services to the county level. Each county will have a referral hospital where all these machines will be. Again, it will be for the county government to buy these machines.

Mr. Koech: Mr. Speaker, Sir, I want to thank the Assistant Minister for trying to come out to assist the patients of this country. I am glad that he will introduce this facility in Kenyatta National Hospital and Moi Teaching and Referral Hospital. However, when are the patients likely to start enjoying this facility? Could he be more specific?

Mr. Kambi: Mr. Speaker, Sir, as I said, we have about four centres which are functioning right now. We are, however, training more specialists because to put up these facilities one needs about Kshs70 million. If you look at our budget, it is not sufficient to--

Mr. Speaker: Order, Mr. Assistant Minister! The question is simple! When are patients likely to begin enjoying these facilities? Answer that!

Mr. Kambi: Mr. Speaker, Sir, the patients will enjoy the facilities once resources are available.

Mr. Mututho: Mr. Speaker, Sir, could the Assistant Minister consider leasing this hi-tech equipment? This is because the little money he has can be spread over time so that all the institutions can have this equipment.

Mr. Kambi: Mr. Speaker, Sir, it is a thought we will consider as a Ministry.

Mr. Olago: Mr. Speaker, Sir, ten years ago, the Ministry of Health imported a state-of-the-art equipment for early detection and management of cancer, but due to lack of trained personnel, the equipment in Kisumu and Mombasa has remained unused and are now obsolete. What steps has the Ministry taken to ensure that the equipment for *Epi-Lasik Vision Correction* will have trained personnel to manage them?

Mr. Kambi: Mr. Speaker, Sir, it is another Question although I will answer it. Cancer and eye problems are two different things. We have, however, launched a cancer treatment centre at Moi Teaching and Referral Hospital and also in Mombasa. More centres will be included in the next financial year.

Mr. Odhiambo: Mr. Speaker, Sir, the Assistant Minister has said that it is very expensive to install the *Epi-Lasik Vision Correction* equipment. Could he assure us that

he will have one serving the Coast, Central, Rift Valley and the Western regions rather than talking about Kenyatta National Hospital and Moi Teaching and Referral Hospital? The facility in Western Province can also serve Nyanza Province, especially Kisumu. The one in the coastal region can serve Coast Province while the one in Kenyatta National Hospital can serve Central Province and the areas around. The facility at the Moi Teaching and Referral Hospital will serve the Rift Valley Province. This includes Turkana and the areas around. What is the Ministry doing about that?

Mr. Kambi: Mr. Speaker, Sir, due to budgetary constraints, it is not possible. However, we are going to look at the option of leasing this very expensive equipment.

Question No.199

DEPLOYMENT OF FUND MANAGER
TO NORTH HERR CDF COMMITTEE

Mr. Chachu asked the Minister of State for Planning, National Development and Vision 2030:-

(a) whether he is aware that the North Horr Constituency CDF Committee has been operating without a Fund Manager for almost three years;

(b) why it is taking too long for the CDF Board to post a Fund Manager to the constituency; and,

(c) when he will post the Fund Manager.

The Minister for Planning, National Development and Vision 2030 (Mr. Oparanya): Mr. Speaker, Sir, I beg to reply.

(a) Yes, I am aware that the North Horr Constituency Development Fund Committee does not have a substantive Fund Manager since 24th March, 2009. However, I would like to note that the Constituencies Development Fund Board recruited a Mr. David Murungi Kiberia on 4th November, 2007 and posted him to North Horr where he served for two years and four months up to 24th March, 2009. Following the request from the area Member of Parliament, Mr. David Murungi Kiberia was removed and posted elsewhere. Therefore Mr. Elema Kuka Isaac, the first manager for Laisamis was identified to act in North Horr from 16th May, 2009 until a substantive Fund Account Manager is posted to the constituency.

(b) Since then, the CDF Board has made efforts to recruit a Fund Manager for North Horr and other constituencies that did not have Fund Managers. Indeed, seven Fund Managers were recruited on 8th June, 2009 and a Mr. Edmond Otaba, one of the new officers posted to North Horr on 29th June, 2009 declined to take up the position. Following that development, Mr. Elena Kuka Isaac was again requested to act as a Fund Manager in North Horr.

(c) Already a Fund Manager has now been recruited following interviews which were conducted between 18th and 19th April, 2011 and someone is supposed to have reported by 1st June, 2011.

Mr. Chachu: Mr. Speaker, Sir, I do thank the Minister for the response. People of North Horr have stayed without a CDF manager for three years. For the most part of my tenure in this Parliament, my constituency has operated without a substantive Fund

Manager. The person who is now acting, is working in three constituencies, that is, North Horr, Laisamis and Saku where he is substantively posted. The Minister has said that within the first week of June, he will be posting a Fund Manager to North Horr but up to now, we are in the second week of June. Could he identify the person he is posting and the reporting date which that Fund Manager will be reporting to North Horr Constituency?

Mr. Oparanya: Mr. Speaker, Sir, I have clearly said that already a Fund Manager has been recruited and was supposed to have reported on 1st June, 2011. But 1st June, 2011 having been a holiday, maybe he reported on 2nd June, 2011. So, I would want the hon. Member to confirm if the Fund Manager who has been posted to North Horr has reported; otherwise, we have recruited someone who is supposed to have reported on 2nd June, 2011.

*(The Deputy Prime Minister and Minister
for Finance (Mr. Kenyatta) entered the Chamber)*

(Applause)

Mr. Njuguna: Mr. Speaker, Sir, emanating from the answer given by the Minister, we note that a Fund Manager was posted to North Horr but he declined the posting. What disciplinary action has the Minister taken against that indisciplined Fund Manager?

Mr. Oparanya: Mr. Speaker, Sir, if you recruit someone and he declines an appointment and he is not in your establishment, what disciplinary measure can you take against that person?

Mr. Speaker: Order, Mr. Minister! You are supposed to answer the question and not ask another one!

Mr. Oparanya: Mr. Speaker, Sir, no disciplinary measure could be taken against this person because he never reported after being recruited.

Mr. Koech: Mr. Speaker, Sir, Fund Managers are very important people regarding CDF funds and projects. This problem is not in North Horr alone. In my constituency, we share a Fund Manager with Emgwen Constituency. What is the Minister doing, knowing that these people do a lot of work, to ensure that constituencies without Fund Managers get them as soon as possible.

Mr. Oparanya: Mr. Speaker, Sir, I want to assure the hon. Member that we have now recruited 19 Fund Managers who are supposed to report between 1st and 15th June, 2011. After 15th June, 2011, if a Fund Manager would have not reported to your constituency, please, let me know.

Dr. Kones: Mr. Speaker, Sir, the role of a Fund Manager is well defined in the Act. We also have a District Development Officer (DDO) whose role overlaps the Fund Manager's functions. What is the Ministry doing to make sure that the Fund Manager is made an AIE holder?

Mr. Oparanya: Mr. Speaker, Sir, the role of a Fund Manager and the role of the DDO are clearly defined in the Act. The account holder is the DDO. That is in the Act that was passed by this Parliament. However, there has been a complaint that the roles

overlap and we are looking into that and, hopefully soon, we will be bringing an amendment to ensure that the roles are more distinct.

Mr. Mwangi: Mr. Speaker, Sir, the Minister has indicated that he has recruited 19 Fund Managers. For your information, the CDF Board has been saying the same thing; that they are recruiting people to be posted to various constituencies including Mathioya Constituency which has been suffering for the last three years. Could he indicate to this House where the 19 officers will be posted to in terms of constituencies?

Mr. Oparanya: Mr. Speaker, Sir, I have no list here. However, we identified 19 constituencies that did not have Fund Managers. So, we recruited the 19 and those constituencies that did not have Fund Managers will now have them between the 2nd and 15th June, 2011.

Mr. Chachu: Mr. Speaker, Sir, in the last three years, North Horr has stayed without a Fund Manager, the Ministry posted more than four officers and they all declined. From that development, I have all the reasons to believe that even the one who will be posted will not take up the offer. Could he commit to hire professionals from the upper Eastern, either from Marsabit or Isiolo County who will be more than willing to serve in those marginal areas?

Mr. Oparanya: Mr. Speaker, Sir, the policy has been that every constituency contributes at least a Fund Manager. That has been the policy although it is not law. Every constituency contributes a Fund Manager and I am hopeful that the one we have recruited will be able to take up the appointment.

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

Question No.916

INCLUSION OF PRIMARY SCHOOLS
IN SCHOOL FEEDING PROGRAMME

Mr. Speaker: Is the hon. Member not here?

(Mr. Speaker consulted with the Clerk-at-the Table)

I have been informed that the hon. Member for Kitui South is away on official Parliamentary business in South America. So, the Question is deferred to Thursday next week.

(Question deferred)

Question No.929

DEATH OF FATUMA FARAH

Mr. Affey asked the Minister of State for Provincial Administration and Internal Security:-

(a) to state to the House what circumstances led to the death of Ms. Fatuma Farah in Garissa on 25 March 1994 and what were the findings of the Inquest No. 2/95;

(b) to also inform the House the action that the Government has taken against the police officer who shot and killed the woman; and,

(c) what measures the Government has taken to compensate the family of the deceased.

The Assistant Minister, Ministry of State for Provincial Administration and Internal Security (Mr. Ojode): Mr. Speaker, Sir, I beg to reply.

Mr. Speaker, Sir, records held by police in Garissa Police Station do not have any information of such death of Mrs. Fatuma Farah who was allegedly killed on 25th March, 1994. Inquest File No.2/95 which was opened by Garissa Police Station relates to the sudden death of one Rose Gathoni who died at the age of 25 years at Huduma Bora Clinic. I wish to table a copy of the inquest register for the years 1994 and 1995.

(Mr. Ojode laid the document on the Table)

Since no record relates to such death, the Government will not take any action against any police officer. The Government cannot compensate the family of the deceased since it is not aware of such a death. More so, compensation cannot be made without a court order from a court of competent jurisdiction.

Mr. Affey: Mr. Speaker, Sir, this is an unfortunate case of denial by the Government. This lady was killed in 1994 in Garissa in full view of the public by a police officer. The matter has continued to raise concern in Garissa and among the family members. Could he confirm that, on this date, this lady was killed and it was reported? I know that there is an inquest file and we are going to provide it to the House but could he confirm that this lady was killed on this day?

Mr. Ojode: Mr. Speaker, Sir, this is not a small matter. You cannot come and allege that the lady was killed by the police and yet there is no evidence! I have tabled here the inquest file and the records where we get the names of those who have been killed. I have tabled it here for his perusal.

I want to say here categorically that the lady was not killed on that particular day. There was no lady who was killed on that particular day and I want to exonerate the police officers who are being alleged to have killed this particular lady.

Dr. Nuh: On a point of order, Mr. Speaker, Sir. Time and again, we have complained in this House that answers are usually supplied to hon. Members very late. Indeed, when we come for the sitting is when answers are given. This is what the Assistant Minister has done in order to ambush us with the answer. Since we can provide the inquest file which was opened then, can I request the deferment of this Question to maybe next week for us to avail the records for this Question to be revisited afresh?

Mr. Speaker: You have not given me any substance to qualify for deferment!

(Dr. Nuh remained on his feet)

Order! Please, resume your seat! This Question was asked by Mr. Affey who has proceeded and, indeed, asked two questions without any protest or complaint. As far as I

am concerned, you are a stranger as to whether or not the answer was supplied. So, you are out of order, I am afraid!

Anybody else interested?

Hon. Member for Chepalungu!

Mr. Ruto: On a point of order, Mr. Speaker, Sir. Considering that the death of a citizen or any person is not a matter that can be taken lightly, and we have got contradicting views – one by the Government that no such person was killed--- The Member of Parliament has clearly indicated that there is a possibility that, that lady was killed at the station. Would I be in order to request that we postpone this Question until we get a very clear answer? I am sure the Assistant Minister will be more serious now that His Excellency the President is listening to this particular case. He will be more serious in investigating this matter and, next week, he will definitely supply us with a better answer. We are at a loss. The Questioner has said that somebody was killed and the Assistant Minister has come before this House, in the presence of all his bosses, and said that no one was killed! We are bewildered! Would I be in order to request that you consider that matter even under Standing Order No.1?

Mr. Speaker: Very well! Member for Chepalungu, you stood on a point of order. A point of order, as you all are aware, raises matters which are not in compliance with the Standing Orders, where there is a breach or where you have cause to complain. As I see it, and from my evaluation of what has transpired, nothing is out of order! The Minister was asked Question No.929, and it is in three parts. He was asked to state the circumstances that led to the death of Ms. Fatuma Farah in Garissa. The Assistant Minister has answered that he is not aware that Ms. Fatuma Farah died in Garissa on 25th March, 1994. That is a good answer. So, if you want to ask further questions, then force the Assistant Minister, by interrogation and by questions, to give you more information. Otherwise, what you have done, Member for Chepalungu, is merely stage an argument against the Assistant Minister. That, obviously, under Standing Order No.43, is not allowed.

Standing Order No.43(3) reads:-

“A Question shall not contain any argument, inference, opinion, imputation or ironical or offensive expression of epithet.”

So, what you are doing is merely staging an argument. The Assistant Minister has said that Ms. Farah did not die in Garissa on that day. Ambassador Affey says she died in Garissa on that day. That is an argument. Is that all right?

Mr. Imanyara: Mr. Speaker, Sir, I listened to the Assistant Minister very carefully. He said that Ms. Fatuma Farah did not die on 25th March, 1994. Could the Assistant Minister tell the House whether, indeed, that lady may have died on a day other than 25th March, 1994 and, if so, whether there has been an inquest relating to her death?

Mr. Ojode: Mr. Speaker, Sir, that is a very good question. I said that according to the records that we have, there was no such a name. The name was not recorded anywhere. I said that if there is any evidence contrary to what I have given, I will challenge the Member to lay on the Table whatever he has for me to check and see whether it is, indeed, true that we lost Fatuma in the hands of the police. I also want to say that my police officers are doing a great job. They cannot, and I do not think they will ever, kill anybody just like that. There is no evidence, at all, to link the police to that particular matter.

Mr. Baiya: On a point of order, Mr. Speaker, Sir. The Minister is being asked a very specific question; whether the lady, Ms. Fatuma Farah, may have died in the hands of the police on that date or any other date. Is he in order to evade coming out open on that issue? Can he answer that?

Mr. Ojode: Mr. Speaker, Sir, I think I had already answered that. I said that according to the records that I have--- We cannot just come and allege that So-and-so was killed on such and such date and yet, the records are here! I have tabled the records! Let him peruse the records! I have no such record!

Mr. Speaker: Last question, Ambassador Affey!

Mr. Affey: Mr. Speaker, Sir, of course, the Assistant Minister is making this matter seem very trivial. It is unfortunate, as my colleague has said that he is doing it in the presence of the Head of State. The family of the late Fatuma and, precisely, her husband Mr. Hussein, took the Attorney-General to court. The Assistant Minister has said that he has no knowledge of the matter; where the Attorney-General was taken to court by the family. I would like to table the evidence to that effect. Due to the nature of this matter, I request that we defer this Question and address it in an appropriate way so that the family members, who are watching these proceedings, feel satisfied.

Mr. Speaker: Order! Ambassador Affey, you have the opportunity to address this matter in the best manner you could. I have allowed you all the latitude. Ask as many questions as you wish to bring the Assistant Minister to account!

Mr. Affey: Mr. Speaker, Sir, in that case, I will lay on the Table the following documents to confirm that the police killed the late Fatuma. That is why the Attorney-General was taken to court.

Mr. Speaker: Order! Ambassador Affey, you are saying that the Attorney-General is being held responsible in the matter? Just like you cautioned the Assistant Minister that he is speaking in front of the Head of State, you are also speaking in front of the Head of State and you have said, categorically, that the Attorney-General is being held responsible! Do you have a judgment that is holding the Attorney-General responsible?

Mr. Affey: Mr. Speaker, Sir, precisely no! I just want to confirm to the Assistant Minister that---

Mr. Speaker: Order! You should withdraw!

Mr. Affey: Mr. Speaker, Sir, I withdraw and apologise! I do not hold the Attorney-General responsible!

I lay the document on the Table.

(Mr. Affey laid the document on the Table)

Mr. Speaker: Very well! Let the Assistant Minister look at the document and if he is able to respond immediately, he can do so.

(Mr. Ojode perused the document)

Mr. Assistant Minister, are you able to respond immediately or do you want more time?

Mr. Ojode: Mr. Speaker, Sir, if you go through the document which has been tabled here, you will see that it does not indicate anywhere that the police killed Fatuma. It does not say that anywhere. The first page reads: To attend court on that day without fail. The next page reads: Attend court on that day without fail. Meanwhile, kindly, honour our fee note dated 6th May, 1994 of Kshs114,000. The next page reads: The court case is coming up on 31st July. The other page is written either in Gujarati or in Somali! I doubt whether this document can be admissible.

Mr. Speaker: Very well. The matter must rest there. Ambassador Affey, you may pursue that matter further away from the Question. You have the latitude to do so.

(Several hon. Members stood in their places)

Order, hon. Members! The balance of the Questions on the Order Paper, because of the nature of the business before the House this afternoon are deferred to next week on Tuesday, at 2.30 p.m. They will take priority over Questions which are scheduled to appear on the Order Paper on that day.

Question No. 932

ELECTRIFICATION OF MATILIKU DISTRICT OFFICES

(Question deferred)

Question No. 933

SEWERAGE SYSTEM FOR IN KERUGOYA TOWN

(Question deferred)

Question No. 961

NUMBER OF ORPHANS AND
VULNERABLE CHILDREN IN KENYA

(Question deferred)

Mr. Speaker: Let us now take the next Order!

(Several hon. Members stood up in their places)

Order, hon. Members! since we are supposed to reach Order No.8, not later than 3.00 p.m., we will have to continue to sit, depending on how business is transacted, until 6.40 p.m. today.

MINISTERIAL STATEMENT

PRESENTATION OF THE FINANCIAL STATEMENT FOR THE FISCAL YEAR 2011/2012

The Deputy Prime Minister and Minister for Finance (Mr. Kenyatta): Mr. Speaker, Sir, I am once again honoured to present to this august House my third consecutive Budget Statement since becoming Minister for Finance---

CONSIDERED RULING

FINANCE MINISTER TO TABLE ESTIMATES OF REVENUE BEFORE PRESENTING THE 2011/2012 FINANCIAL STATEMENT

Mr. Speaker: Order, Minister!

Hon. Members, I thought the Deputy Prime Minister and Minister for Finance would start with this, hence the reason for my interruption at this very early stage. My attention has been drawn to the provisions, once again, by two Members of the Budget Committee, namely, the Vice-Chairman, who is also the Member for Webuye, hon. Sambu and the Member for Rangwe, hon. Ogindo, to the effect that the provisions of Article 221 of the Constitution have not been fully complied with, as at where we are, in the sense that the Deputy Prime Minister and Minister for Finance did not table one document. I was not aware, but since this morning, after my attention was drawn to the matter, I checked into the position and found that, indeed, Minister, you had tabled two critical documents as required by Article 221(1) but there is one document that was not tabled, and that document is the Estimates of Revenue.

So, if you have that document then, it is necessary that you table it first before you proceed to deliver your statement.

PAPER LAID

The Estimates of Revenue for the Financial Year 2011/2012

*(By the Deputy Prime Minister and Minister for
Finance (Mr. Kenyatta))*

(Resumption of Presentation of 2011/2012 Financial Statement)

The Deputy Prime Minister and Minister for Finance (Mr. Kenyatta): Mr. Speaker, Sir, I am once again honoured to present to this august House my third consecutive Budget since becoming Deputy Prime Minister and Minister for Finance.

Mr. Speaker, Sir, my first Budget in June, 2009, which we dubbed: “Overcoming Today’s Challenges For a Better Kenya Tomorrow”, aimed at shoring up the economy following the multiple shocks we faced at the time. Truly working hard and together as a nation, we did overcome these challenges.

By the time of reading the second Budget in June, 2010, our economy was already showing strong signs of recovery. Indeed, our economy has now bounced back expanding by 5.6 per cent in 2009, up from 1.5 per cent in 2008. Apart from the economic recovery, I am also presenting this Budget, indeed, under a new constitutional dispensation following its promulgation in August last year.

Mr. Speaker, Sir, we all know the tough times we are facing following the new challenges stemming from rising international commodity prices, including fuel, and also drought related concerns on food security. The resilience we have demonstrated in the past will have to come handy once again but most important, now, in cushioning our people against these challenges. We have taken to face the future with courage and to embark on a bold journey to create hope amongst our people. As part of this journey, we have to take drastic measures to reduce on a sustainable basis, the cost of living and assure our people of food security and employment going forward.

Mr. Speaker, Sir, the Budget, therefore, begins to address the problems that have confronted us over the years, and in doing so, we would have to continue building resilience while supporting the broad based economic growth that we have so far achieved in order to continue creating jobs for our youth, feeding our people and reducing poverty and inequality. It is also for this reason and building on recent developments, that I consider it appropriate to frame this year's Budget around the theme: "Building Resilience and Sustaining Inclusive Growth for a Prosperous Kenya".

The journey of building resilience and sustaining inclusive growth for prosperity would not be easy. But I am sure that with hard work and determination of all Kenyans, we shall, indeed, succeed. All Kenyans aspired to live a prosperous life that is secure and free from poverty and with freedom to exploit individual talent to uniquely contribute to the development of this beautiful country. But it must be appreciated that we all shoulder the responsibility to build a better and prosperous Kenya in which we cherish to live.

Mr. Speaker, Sir, in building resilience and aspiring for that prosperity, Kenyans must ask: What does the Budget for 2011 offer? First, I would like to assure Kenyans that in framing this year's Budget, we have ensured that we continue to nurture the growth momentum in the face of emerging domestic and global challenges. Two, priority social programmes under education and health provision would continue uninterrupted. Thirdly, that the investment in infrastructure especially in roads, energy and railway is stepped up. Fourth, that the implementation of the new Constitution continues to remain a priority, and most importantly as we achieve this, we continue to maintain macro-economic stability.

In submitting the Budget Estimates for the Government on 31st May, 2011, what did we have in store for Kenyans? For the poor, we are providing funds to continue to support education, which includes free primary and secondary education and health. Most important now is expanding spending on safety nets to cushion the vulnerable from the current challenges of high food prices and fuel prices. For the youth, we would continue to provide resources by supporting existing public work programmes that we started some two years ago, now commonly referred to as the Economic Stimulus Programme and *Kazi Kwa Vijana*, while scaling up programmes aimed at increasing labour absorption, skills training and enhancing the employment of the youth.

Mr. Speaker, Sir, for the farmers, we have set aside funds for agri-business in order to begin the journey of leveraging lending to the agricultural sector and rural

developing targeting 1.5 million small holder farmers and over 10,000 agri-businesses throughout the country. For the people in Nairobi, we will embark on the building, and we have set aside Kshs2.9 billion for the construction and expansion of an urban commuter rail. For rural and marginalized communities, decentralization is coming sooner than later with expanded funds to CDF to complete critical projects for the benefit of the poor and earmark resources for basic services in marginalized areas in the spirit of the new Constitution on progressive equitable development.

vi. For businesses, we have continued investment in upgrading of infrastructure in roads, energy, airport and now Kshs3.25 billion for the construction of standard gauge railway line; supporting skill development and expansion of university education. For small-scale businesses, a further Kshs1 billion SME Fund, in addition to the Kshs900 million earmarked in the current financial year to boost business and further expansion of resources accessible through Youth Enterprise Development Fund of Kshs385 million and the Women Enterprise Development Fund amounting to Kshs440 million.

vii. For the Constitution implementation, we have allocated adequate resources to the Judiciary, Parliament, the electoral process and other Constitution related activities.

In addition to this, we are spending billions of shillings to expand and construct irrigation projects countrywide and transform agriculture into business to create employment, reduce poverty and assure food security - an issue that has eluded us for years. All these come at a time when we have to implement the new Constitution and still live within a sound fiscal framework.

Countries that have managed to engage the youth in gainful employment and put a dent on poverty have grown their economies uninterrupted for many years. Recent examples in this regard include Brazil, Russia, India and China, now named as BRICs. These economies have been able to grow at an annual average rate of 10 per cent, the same growth rate we envision under our Vision 2030. They have done this by mobilising larger amounts of resources, raising factor productivity and moving to a higher value added and more efficient production structures. Because of limited public resources, they have relied on the private sector to meet their economy's resource requirements, while developing appropriate market environment to promote efficiency and productivity.

Mr. Speaker, Sir, surely, as a country, we can do these extraordinary things and give a sense of hope to our youth and secure the future of our country. I see the vision and hope that our youth have in the future of this great nation. As politicians, we have a duty and responsibility to give realism to that hope. The current situation of high youth unemployment is unacceptable and, if not addressed, will soon start to present challenges to our social stability. There is, therefore, need to start to work together through this Budget to expand the frontier of economic opportunities for our youth in order to allow them access to gainful engagement, and enable them to also contribute with dignity to the important task of nation building. This is the only way we can bequeath a brighter and more prosperous future to the next generation.

We can only create these opportunities if we expand our economy, and in a manner that covers all sectors. Sustaining inclusive growth requires us to continue building transparent, responsive, accountable, efficient and effective national and eventually county governments as well as providing an appropriate environment for

private sector (both large and small) businesses to thrive and avail more revenue for financing priority development.

While these measures will secure growth, we also need to ensure that the gains from growth are widely distributed through sustainable employment in order to guarantee durable reduction in poverty. In addition, measures to address socio-economic inequalities, improving the country's human capital, and inculcating national cohesion are vital for long-term stability and prosperity. To this end, the Government will continue to implement the socio-economic priority programmes articulated in Vision 2030's first MTP, as well as increased devolution of resources for the development at the local levels, again, in line with our new Constitution.

Mr. Speaker, Sir, turning to the economic outlook, we note that global recovery is gaining momentum, supported by improvement in financial market conditions, buoyant activity in emerging and developing economies, and growing confidence also in some of the advanced countries. The global output is projected to grow at about 4.5 per cent in 2011/2012, down modestly from 5 per cent in 2010. In advanced as well as emerging and developing economies, real GDP is expected to grow by about 2.5 per cent and 6.5 per cent respectively.

As in the rest of the world, growth in Sub-Saharan Africa is projected to stay high, reflecting sustained strength in domestic demand and rising global demand for commodities. Real GDP growth for the Sub-Saharan Africa economies is projected at 5.5 per cent in 2011 and 5.9 per cent in 2012, up from 5 per cent in 2010. The growth of Kenya's major trading partners in the East African region such as Uganda, Tanzania and Rwanda, is projected to remain strong in the range of 6-7 per cent in 2011 and 2012. This is expected to boost exports into the region and to earn our economy foreign exchange.

Mr. Speaker, Sir, on the domestic front, the recently released Economic Survey for 2011 indicates that our economy expanded by 5.6 per cent in 2010, up from 2.6 per cent in 2009 and 1.5 per cent in 2008. The growth was broad-based covering all sectors of the economy. Agriculture and forestry sector rebounded strongly, posting a growth rate of 5.3 per cent, after depressed performance in the last two consecutive years. Increased investment in physical infrastructure by the Government further boosted activity in the building and construction sector. This recovery was against a backdrop of macro-economic stability as reflected in low inflation and interest, and stable exchange rate. On the external front, the strong domestic demand and high oil prices raised our import bill and, as a result, weakened our external payment position with the current account deficit reaching 8.5 per cent of GDP in 2010.

Looking forward, the economic prospects for 2011 remain strong but the impact of high fuel and commodity prices, as well as delayed rains is a source of concern. We see continued strong credit to private sector, increasing Foreign Direct Investment, improved tourism and construction, and strong export growth with better prices and favourable exchange rate helping to sustain growth, in spite of the shocks related to high fuel and food prices, and delayed planting season. Overall, we expect a real GDP growth of 5.3 per cent in 2011, rising steadily to 6.1 per cent in 2012. This translates to 5.7 per cent for the Financial Year 2011/2012 or 0.4 per cent lower than the projected growth of 6.1 per cent at the time we prepared the 2011 Budget Policy Statement. The lower growth forecast is on account of the emerging evidence on the likely adverse impact of high fuel and food prices on our economy.

The projected growth is still, however, below the 10 per cent in Vision 2030 needed to increase labour absorption and achieve more equitable distribution of income. As indicated earlier, further up-scaling to 10 per cent and sustaining it at that level would require mobilizing large amounts of resources, raising factor productivity and moving to a higher value-added and more efficient production structure. Given the limited public resources, we must rely on the private sector to meet the resource requirements. To this end, continued commercialisation of public activities as well as improving the business environment is vital to attract the much needed Foreign Direct Investment, and local investments, including small, medium size enterprises (MSMEs).

Turning to deviation from the 2011 BPS: revision to ceilings, savings and reprioritization, hon. Members will recall that when we submitted the 2011 Budget Policy Statement in March, 2011, we had indicated that the projected baseline ceilings had not taken into account the strategic spending proposals that were under consideration. The 2011/2012 Budget Estimates have now factored in an additional Kshs58 billion as strategic interventions to the ceilings initially allocated to Ministries. To accommodate these expenditures, we rationalised Ministerial provisions to realise savings amounting to Kshs13.1 billion, comprising of Kshs5 billion which was reprioritised within Ministerial budgets to meet existing commitments, and Kshs8.1 billion, which is in respect of spending cuts on slow moving projects in order to accommodate additional funding for emerging interventions.

The balance of the additions to expenditure to accommodate spending on the implementation of the new Constitution, intervention in irrigation, cushioning the vulnerable, job creation for the youth as well as additional pro-poor spending in Arid and Semi-arid Areas and social spending in education, health, water and infrastructure arose with the firming up of the resource envelopment.

Mr. Speaker, Sir, let me now turn and focus on measures to promote private investment. Prudent and sustainable macro-economic policies that ensure low and stable inflation and interest rates as well as competitive exchange rates must form the foundation of higher growth path. In this regard, our fiscal policy aims at gradually lowering our fiscal deficit in order to ensure debt sustainability while at the same time taking care of the long-term development needs of the country as well as the implementation of the new Constitution.

In response to high fuel and food prices, we have already taken some measures in addition to already announced set of interventions to provide relief to the poor and to shield them against the impact of high commodity prices. The Budget also deepens the base for long-term sustainability of food security by allocating more resources to irrigation and agriculture.

Mr. Speaker, Sir, on general price levels, we expect the upward pressure to subside with the rains in food producing areas and harvest and irrigation and the urban farming we are initiating in this Budget. To keep inflationary expectations under control the Central Bank of Kenya will continue to monitor closely monetary developments and adjust monetary policy as appropriate. We do not expect short-term interest rates to rise drastically but care will be taken to ensure credit to support productive economic activities remains available.

Mr. Speaker, Sir, effective and reliable infrastructure is essential to ensuring competitiveness of our products in the local, regional and international markets. For this

reason, the Government will step up improvement and expansion of the infrastructure network throughout the country while ensuring maintenance of the existing ones. Consequently, I have enhanced the overall Budget for fiscal infrastructure to Kshs221.4 billion in the Financial Year 2011/2012 up from Kshs165.8 billion in the Financial Year 2010/2011. Most of these resources have been allocated towards road, energy and transport development.

A decent road network throughout the country is crucial for growth, investment, employment creation and poverty reduction. It facilitates trade and commerce and allows farmers to access markets for their products thereby promoting their welfare. Through this Budget, we continue to improve the general conditions of our highways, urban and rural roads and to initiate new critical road arteries, especially those that connect our country with regional markets. To this end, I have allocated an overall budget of Kshs100.9 billion to the Ministry of Roads up from Kshs90.2 billion in the previous fiscal year. With this allocation, the Ministry of Roads and the relevant road agencies will fast track implementation of these critical roads and allow Kenyans early opportunity to use them.

Mr. Speaker, Sir, on investing in energy, reliable and affordable energy is necessary for sustained economic growth and poverty reduction. In view of this the Ministry of Energy has been allocated about two-fold increased budget amounting to Kshs65.7 billion up from Kshs34.9 billion in the Financial Year 2010/11. Of this amount, geothermal development will receive Kshs16.1 billion which will be used to drill and access the viability of producing 140 megawatts. Attention will also be given to the Rural Electrification Programme which will benefit from Kshs5.6 billion to facilitate supply of power from national grid to 450 trading centres and 110 secondary schools among other public facilities countrywide. The expansion of power access to rural areas is one of the initiatives to support rural enterprise development, create employment and improve the living conditions of our people.

Meanwhile, the Executive just like Parliament is also concerned about the high cost of imported fuel, especially those costs associated with supply chain constraints around sourcing, discharge, refining, transportation and storage as well as distribution. To this end, under the leadership of His Excellency the President and the Rt. Hon. Prime Minister a task force has been constituted to review and revise the best reform options to address these challenges. We expect the task force also to explore options for long-term and affordable supply sources especially from friendly bilateral partners.

Mr. Speaker, Sir, you may be aware that we entered into a bilateral agreement with the Ugandan Government in 2008 to jointly fast track the development of a new Standard Gauge Railway line connecting Mombasa to Kampala with a branch line to Kisumu. The purpose of this project was to reduce the ever increasing cost of transportation within the region, facilitate faster and cheaper movement of freight and passengers and enhance competitiveness, while saving on the newly rehabilitated road network. It now costs about Kshs100,000 to transport a 20 foot container from Mombasa to Nairobi and it takes a whole day. The same container would cost around Kshs40,000 and would be delivered in just about four hours by a modern railway transport system.

However, despite making available resources and securing approval of this House, in 2009/2010 and 2010/2011 this important project experienced some procurement-related delays, which we expect will be resolved shortly. I am now

expecting that the Ministry of Transport and the Kenya Railways Corporation will proceed to conclude the design study by the end of November, 2011 and to provide us with the estimated cost, routing and implementation arrangements. My Ministry has initiated discussions with development partners to find resources to facilitate faster completion of this important project to our economy. I have in this regard set aside Kshs3.3 billion as mobilization fund to initiate its implementation. When completed, this project is expected to reduce the cost of transportation and make our products more competitive by, at least, 70 per cent and demand for imported fuel oil to be reduced by at least 30 per cent thus cushioning our country against high international oil prices.

The recent upward surge in international oil prices has pushed the cost of transport way out of reach for many urban workers thus reducing their disposal income. This is, however, not the case for the few who still afford to find space in the limited commuter urban train services. For instance, it costs a passenger just Kshs25 to travel from Embakasi and Kshs35 to travel from Ruiru to the city centre. A similar journey by *matatu* now costs Kshs70 and Kshs100 respectively and, indeed, takes much longer. It is for this reason that we began last year to modernize key commuter railway in order to accord especially people in Nairobi faster and affordable means of transport.

I have in this regard allocated an additional Kshs1.9 billion in the 2011/2012 Budget towards construction of a new branch line from Embakasi Railway Station to Jomo Kenyatta International Airport. The completion of this line will make commuting to and from the airport faster, comfortable and cheaper. The project will equally benefit our urban commuters living in Kitengela, Athi River, Embakasi, Pipeline, Imara Daima and those residing along the Mombasa Road. I have also allocated Kshs1 billion to initiate the upgrade of the Nairobi-Ruiru via Makadara, Dandora, Githurai and Kahawa railway line to expand passenger services by at least ten fold thereby making it more affordable to many Kenyans commuting daily to work in the city centre and to reduce congestion within the City of Nairobi.

Mr. Speaker, Sir, I now turn to enhancing security for a 24-hour economy. The incidence of crime remains high and continues to act as a constraint to faster economic growth. To allow our people and the economy to work and create wealth 24 hours a day, it is imperative that we address the challenges of insecurity. During the last financial year the Government increased the salaries of police and will continue to review their terms and services in line with changes in the economy.

Police numbers are also expected to increase with the recent recruitment of 7,000 new officers. The training curriculum is also improving in line with the ongoing police reforms that will culminate in the setting up of the Independent Police Service under the new Constitution.

In this Budget, we have enhanced funding for operations and maintenance by Kshs3.5 billion in order to improve police operations, and fight crime most swiftly. We expect efficiency in operations to improve once the new legal and institutional reform framework is in place.

Mr. Speaker, Sir, hon. Members, if, indeed, we are to grow faster we must create an environment that is favourable to domestic and foreign investment. This calls for deepening our business regulatory reforms and delivering quality public services. Some recent notable improvements include use of scanning and electronic filing of documents at the Lands Registry, electronic name search at the Companies Registry and at the

Nairobi City Council. The Single Business Permit now actually takes one day to process as opposed to five days previously. This, we have all achieved by decentralizing the licensing function to divisions and ward levels within the City of Nairobi and they deserve their congratulations.

Mr. Speaker, Sir, despite these reforms, we recognize that more needs to be done to further improve business environment and to improve Kenya's rating of Doing Business index, thus positioning our country as the preferred investment destination. Indeed, I urge hon. Members to prioritize debate on some critical Bills such as the Companies Bill, the Insolvency Bill and the Partnership Bill currently before this House, which are aimed at strengthening our business environment.

Mr. Speaker, Sir, on controlling Recurrent Expenditure to fund more priority development, hon. Members, it is important that we note that wage levels in Kenya are now among the highest in Africa, thus posing a challenge for our competitiveness. For instance, in the Public Service, there are wage differentials between different cadres of officers, with more or less the same level of training. This situation is occasioned by the uncoordinated wage awards and reviews. Consequently, the overall wage bill in our Civil Service, excluding the Defence and National Security and Intelligence Service (NSIS) now stands at 7.2 per cent of the Gross Domestic Product (GDP), up from 6.9 per cent last year, and it costs the Exchequer a combined total of Kshs222.6 billion. Unless this level of wage bill is checked going forward, the Government will not be able to provide adequate resources for operations and maintenance, let alone fund critical development programmes. For this reason, I urge hon. Members to fast track approval of the Bill establishing the Salaries and Remuneration Commission which as per the Constitution will handle all salaries reviews and awards in the Civil Service.

Mr. Speaker, Sir, reforms in the financial sector are aimed at increasing access to financial services, greater efficiency and improving the overall stability of the financial system. Over the recent past, financial access to Kenyans has improved with about 40 per cent of our people now having access to formal financial services, up from 25 per cent five years ago. Innovative financial products and services are expanding financial access helped by mobile banking and widespread penetration of mobile phones that now stands at almost one cell phone per adult citizen.

Mr. Speaker, Sir, going forward, we will take measures to support the drive towards greater access to credit. These measures will include; continued licensing of microfinance institutions, encouraging the agency banking model and reviewing the legal, regulatory and supervisory frameworks for the financial sector to improve them further, and ensure conformity to the new Constitution. In addition, we shall be laying before this House the Kenya Deposit Insurance Corporation Bill and the National Payments System Bill.

Mr. Speaker, Sir, while we have made great strides to deepen our financial sector, commercial lending rates remain persistently high. In response to a directive from His Excellency the President, we are co-ordinating a number of measures to address the root cause of this problem and the constraints in the industry responsible for high lending rates. These include amongst other things the inter-bank markets; increasing disclosures of information on bank rates performance and productivity; and aligning pricing of Government bonds to reference rates used by banks. We are encouraging banks to share information to gain economies of scale and to reduce overheads through increased use of

Information and Communications Technology (ICT), agency and mobile banking. We will extend credit referencing to sharing of positive information by banks to encourage competition for good borrowers.

Mr. Speaker, Sir, finally, we plan to introduce reforms to improve the legal, regulatory and administrative process relating to collateral. These will include introduction of a unified framework for moveable and immovable collateral, streamlining the Stamp Duty regime and simplifying the registration process. We are confident that with these measures, we will go a long way towards increasing access to finance, and positioning Kenya as the regional financial services hub.

Mr. Speaker, Sir the Forex Bureau revised guidelines aimed at streamlining and strengthening corporate governance and financial position of the bureaus came into effect on 1st April, 2011. In addition, the guidelines have been reviewed to align them with the provisions of existing laws like the Proceeds of Crime and the Anti-Money Laundering Act of 2009, which came into operation on 29th June 2010.

Mr. Speaker, with regard to deepening our regional trade and expanding the market for the private sector, we will continue to position Kenya through appropriate economic policy and reforms to reap the benefits from regional integration, with opportunities accorded by the East African Community (EAC) Common Market Protocol and the wider Common Market for Eastern and Southern Africa (COMESA) market. We are fully committed to the implementation of the provisions of the Common Market Protocol, and we are supporting the ongoing regulations of the East African Monetary Union Protocol to ensure that the exercise comes to a logical conclusion for the benefit of the East African people.

Mr. Speaker, Sir, with regard to improving governance through implementation of our Constitution, our people approved the new Constitution with expectations that we would achieve a lasting solution to our long-standing social and political challenges. The new constitutional dispensation will allow for strong institutions to provide checks and balances on the Government, enhance governance, reform Judiciary and devolve resources to counties. This will increase the chances of achieving our Vision 2030 aspirations of substantially improving the lives of our people.

Mr. Speaker, Sir, we have allocated Kshs20.8 billion towards the implementation of the new Constitution, which will include setting up constitutional offices, drafting of new laws, judicial reforms, expansion of Parliament facilities and preparation of the next general elections. To this end, we have provided Kshs1.5 billion for salaries of constitutional office holders and Kshs9.3 billion for Judiciary to prioritize the implementation of the new Constitution, and continue implementing strategies that will lead to the reduced case backlog, improved access to justice and modernize the court system.

Mr. Speaker, Sir, the budget for the National Assembly has also been enhanced to Kshs8.1 billion to cater for additional physical facilities and infrastructure, including enhancing ICT to fully realise live broadcasts and modernization of existing facilities. The Interim Independent Electoral Commission (IIEC) budget has also been enhanced to Kshs12.1 billion to ensure smooth preparatory activities. In addition to this, we have set aside Kshs2 billion to cater for emerging requirements for constitution-related expenditures. I wish to call upon our development partners to complement the Government's effort.

Mr. Speaker, Sir, with regard to promoting human capital development, access to healthcare services remains one of the key objectives of this Government. We shall continue to pursue health reforms to ensure effective healthcare delivery, especially at the local level to promote a healthy and productive population. The main focus of healthcare reform going forward is to restructure the health delivery system by shifting emphasis from curative to preventative health care. In this regard, the Government has allocated a total of Kshs64 billion for health service delivery plan. From this allocation, Kshs903 million will be earmarked for the purchase of ARVs, thus making these essential drugs available to our brothers and sisters suffering from HIV/AIDS, and Kshs150 million will be for the purchase of modern equipment for screening cervical and breast cancer.

I have also allocated from this amount, Kshs534 million towards finalization of rehabilitation of health facilities initiated under the Economic Stimulus Programme (ESP), while Kshs6.6 billion will be channeled towards enhanced immunization coverage throughout the country. We will also continue to support expansion of voluntary health insurance services in order to ensure that more Kenyans access health services.

Mr. Speaker, Sir, provision of quality education is a lifelong investment we must continue to extend to our children, if we are to secure the future of our nation. To improve enrolment and transition rate, and equity in access to education, we have allocated Kshs8.25 billion towards the provision of free primary education, Kshs18.5 billion for free day secondary education and Kshs1.67 billion for free school feeding programme, mainly in arid and semi-arid areas. I have also allocated Kshs387.7 million for early childhood development. We are also responding to the rising demand for admission in national, provincial and district schools, and information technology. To this end, we have allocated Kshs750 million for further upgrading of national schools, and a further Kshs680 million for purchase of computers for schools to enhance access to quality learning materials.

Mr. Speaker, Sir, I have further allocated Kshs780 million to improve infrastructure in schools. Out of this amount, Kshs380 million will be used towards construction of low cost boarding schools in ASAL areas. We have programmed to spend Kshs53.2 billion in the tertiary education to further enhance access to higher education for our children.

Mr. Speaker, Sir, with regard to school bursary for the vulnerable and poor households, hon. Members, indeed, during these difficult economic times, we must act swiftly to cushion poor households against further suffering. In this spirit, in addition to the Kshs500 million provided under the 2010/2011 Budget, we have allocated an additional Kshs840 million under the Ministry of Education, to scale up the bursary programme in order to cater for a Kshs20,000 annual bursary fee grant for an additional 42,000 orphans and children from poor households in secondary schools throughout the country. This programme will assure, at least, 200 school going needy children of this lifelong investment in each of our 210 constituencies at a cost of Kshs4 million each. I urge hon. Members and, indeed, the Constituencies Development Fund (CDF) committees to be fully involved and strictly ensure that only deserving orphaned, poor and needy bright children benefit from this.

Mr. Speaker, Sir, we need to appreciate that when we educate the girl-child we, in turn, educate the whole society. For this reason, we must do everything within our power to ensure that girls are facilitated to attend school throughout the month, just like boys.

Through this Budget, we are responding to their basic needs by allocating Kshs300 million under the Ministry of Education to provide sanitary towels to all needy primary school going girls. This is a token to demonstrate that we are, indeed, a caring Government. I urge other organizations, including Non-Governmental Organizations, to complement this noble initiative.

Mr. Speaker, Sir, Kenyans will agree with me that CDF has, since introduction achieved tremendous progress in transforming our rural economies by bring development to our people at the grassroots level. This could not have been possible without the exemplary leadership and patriotism demonstrated by hon. Members in this House. I, therefore, wish to commend all hon. Members for ensuring that the various priority projects initiated are, indeed, implemented in a timely manner.

Mr. Speaker, Sir, in recognition of the positive contribution towards our development goals, the Government, in 2009, continued to devolve resources towards grassroots service delivery improvement by introducing the Economic Stimulus Programme of Kshs22 billion, or approximately Kshs105 million per constituency, for initiating various infrastructure projects under health, education, markets, industrial centres and fish enterprise development, as well as recruitment of nurses and teachers per constituency to improve quality of health care and education, as well as to develop our rural economies.

Mr. Speaker, Sir, we also introduced changes to the Roads Act for the first time ever to earmark 22 per cent of the Roads Maintenance Levy for road maintenance at constituency level, thus effectively transferring another Kshs19 million per constituency for that purpose. These allocations were in addition to the Kshs12 billion which was channeled directly to CDF Board for various projects initiated at the constituencies by CDF committees.

Mr. Speaker, Sir, devolving these resources for rural development was not a one-off initiative. We went further, in the 2010/2011 Budget and allocated more resources, first, to ensure that all ongoing ESP projects were completed and, secondly, to initiate new interventions under health, education, fish enterprise development, agriculture, irrigation, youth employment and support for ASALs. To implement these much needed initiatives, I provided Kshs21 billion in addition to Kshs14.5 billion allocated directly under the CDF. We did this well aware of the need to address, on a sustainable manner, the high level of under-development and challenges facing our people at the local level. In this Budget, we have, once again, made adequate provision to ensure that all ongoing ESP-related projects are fully completed throughout the country, as well as introduce new interventionist projects at the constituency level to ensure regional equity and lay a foundation for rapid rural development, consistent with the spirit of our new Constitution.

Mr. Speaker, Sir, while we are doing this, we take cognizance of the fact that the Constitution devolves certain functions to the county governments to be funded by, at least, 15 per cent of the most recently audited revenues collected. Cognizant of the important role that the CDF has played in our rural areas and having taken into account disbursements to the Local Authorities Transfer Fund (LATF) and Kenya Revenue Authority (KRA), who are a charge on the same ordinary revenue base, I have allocated Kshs17.2 billion for CDF in 2011/2012 up from Kshs14.5 billion in the previous fiscal year, a 19 per cent growth.

This high level of funding to CDF represents a two-fold or about 100 per cent increase in CDF allocations since 2008/2009 Budget, excluding other generous amounts that have been devolved under the ESP and strategic intervention, consistently. Achieving this level of funding for rural development would not have been possible if, indeed, the technocrats at the Treasury were as insensitive as implied in some quarters.

[Mr. Speaker left the Chair]

[Mr. Deputy Speaker took the Chair]

Mr. Deputy Speaker, Sir, as agreed with hon. Members, I have also allocated a further Kshs1.8 billion as arrears owed to CDF, bringing the total allocation to CDF to Kshs19 billion, which translates to an average of Kshs90.5 million on average per constituency countrywide. Considering the need to complete the many projects initiated by hon. Members to assure the improvement of the wellbeing of our people, I consider it appropriate that I extend a conditional grant to the CDF Board amounting to Kshs3.7 billion or Kshs17.8 million per constituency, towards completion of the ongoing projects under education, health, water and sanitation, in readiness for handing over to the new county governments.

Mr. Speaker, Sir, this is the highest ever direct allocation to the CDF amounting to approximately on average Kshs108.3 million per constituency. I am confident that hon. Members will, indeed, do a splendid job with these resources to further the devolved development agenda. The amount does not, however, include other resources that I am channeling directly to constituencies under this Budget such as the Kshs28.3 million towards constituency roads, Kshs6.4 million towards water provision in each of the 170 constituencies and Kshs30 million for water in 35 constituencies in the ASAL areas and other decentralized resources targeted towards bursary, youth sports, youth labour-intensive empowerment, among others as I will elaborate below. These resources that we have devolved for grassroots level development do not include the Kshs40 billion that will be disbursed under LATF or the Kshs12.3 billion in previous years.

Agricultural development remains a top priority towards addressing rural poverty, unemployment and food security. Through agricultural development, we shall also provide agro-processing and value addition that will drive our export led growth and create employment for our people. I wish to correct some misinterpretations often made about funding to the agricultural sector. In assessing whether adequate resources are allocated to this sector, it is important to also consider allocations under complementing services such as water and irrigation, environmental conservation, livestock, fisheries development, as well as special policies targeted at small-scale and traditional farmers in rural areas as per the definition of the Maputo Declaration. Demonstrating the importance we attach to this sector in driving our development agenda, if we take the above definition of our total allocation to the agricultural sector as per the Maputo Declaration, this amounts to approximately Kshs100 billion, which is about 11 per cent of the total Ministerial expenditures. This is above the 10 per cent commitment we made under the Maputo Declaration, putting Kenya among the community of nations that have met this condition.

Mr. Speaker, Sir, there is no doubt absolutely that the current level of commodity prices has adversely affected our people especially the low income households. I nevertheless strongly believe that we need to be focused on how to further address these challenges. Requests have been made by various Kenyans to the Treasury, to urgently implement tax reduction measures in the areas of fuel, maize and wheat, in order to cushion our people against the effects of high commodity prices.

Further, we expected to respond to many demands, including expanding the safety net coverage, enhancing relief interventions and increasing the level of the Strategic Grain Reserve. As can be seen from the foregoing, part of the requirements weakens our fiscal position, while the other increases demand for additional funding. These are conflicts that we must weigh carefully in order to arrive at a framework that still cushions the most vulnerable in our society, but lays emphasis in finding a lasting solution.

Over the Medium-Term, our focus on water harvesting, storage and irrigation in various parts of the country, in addition to many interventions, I have proposed to reduce the cost of doing business. This, therefore, is intended to expand our ability to feed ourselves, generate surplus food for export and present going forward real possibilities of defeating hunger. But we are conscious of the fact that our fight against hunger will not succeed if we do not pool our efforts together.

Mr. Speaker, Sir, with regard to water harvesting and storage for sustainable agricultural development, water harvesting and storage for domestic, animal and irrigation is central to food security, livestock production and improved health of our people. For this reason and as a decisive step towards the provision of adequate water for all Kenyans, as mentioned earlier, I have allocated Kshs6.4 million under the Ministry of Agriculture for the provision of water in 170 constituencies. The implementation of this important measure will cost the Exchequer approximately Kshs1.1 billion and will provide water for domestic use and farming thereby enhancing food security and moving our country towards achieving the Millennium Development Goals (MDGs).

We are also extending access to water in areas most needy. Accordingly, we have allocated a further Kshs1.1 billion which translates to about Kshs30 million per constituency for 20 water pans of 100,000 cubic metres in all the 35 needy constituencies in the ASAL areas. I am confident that with this timely and much needed intervention, we will improve, in a measurable way, the living conditions of our brothers and sisters in these areas and make water accessible for their livestock.

Mr. Speaker, Sir, the Budget will also take care of livestock farmers by establishing a Kshs400 million Livestock Fund and providing Kshs492million for ongoing and additional slaughter houses in ASAL areas. The hon. Members of Parliament from these regions should note that these allocations are intended to scale-up the projects initiated in the 2010/2011 Budget under the Ministry of Livestock Development.

Mr. Speaker, Sir, given the perennial water scarcity in our country, we must start to inculcate in our school children the virtue of water conservation. I have, therefore, allocated Kshs475 million as a conditional grant under the Ministry of Education for 1,900 schools countrywide or Kshs250,000 per school to ten primary schools per constituency covering 190 rural based constituencies. This initiative is expected to expand access to clean drinking water, thereby improving the health of our children.

On securing food security and rural development through expanded irrigation, the frequent adverse effects of climate change on agriculture poses a great threat to food security in our country. There is, therefore, need to start in a decisive manner to shift into irrigation based farming methods. Building on the progress achieved under the ESP Irrigation Programme, we are initiating a comprehensive countrywide irrigation expansion programme intended to gradually cover the 1.7 million acres of potential irrigable land and in order to transform our country into a food secure and a real exporter of food. We are doing this in order to kick out hunger in Kenya once and for all. As a first bold step in this journey, I have allocated an ambitious Kshs10.2 billion, comprising of Kshs8.6 billion under the Ministry of Finance for direct transfer to the National Irrigation Board for various irrigation projects throughout the country and Kshs1.2 billion to initiate large irrigation projects in Nyanza under the Ministry of Regional Development Authorities and another Kshs400 million under the Ministry of Water and Irrigation to continue expanding small-holder irrigation projects throughout the country. These allocation requests are the highest ever to expand and initiate various irrigation projects around the country.

Mr. Speaker, Sir, I know some hon. Members may be wondering why we have allocated funds for irrigation and other critical interventions under the Ministry of Finance. You will agree that where there has been famine in our country, Ministries often rush to the Cabinet to secure approval for additional funds without sometimes bothering to know where such funds will come from. For instance, we have spent huge sums of money in the past, especially in 2008/2009, to mitigate effects of drought by importing maize to build up the Strategic Grain Reserve and undertake drought relief interventions throughout the country. This we did in recognition of the need to ensure food security and reduce such unplanned expenditures going forward. We need to have a proper implementation framework.

Last year, we did, for example, go ahead and allocate more resources to the concerned Ministries to expand irrigation, including allocating Kshs400 million and Kshs360 million towards the purchase of fixed and mobile maize driers respectively to reduce post-harvest losses by our farmers, but progress in this degree has been limited. Taking into account the lessons we have learnt, we have decided to hold the Ministry funds for use by the National Irrigation Board towards the implementation of critical irrigation projects throughout the country. We will work with the NIB and all relevant Ministries and the relevant departmental committees to ensure that we have in place a better framework for implementation. Our intention is to ensure that our people will benefit from these interventions.

With this background, and in order to fast track ongoing irrigation countrywide, we have allocated Kshs2.3 billion for the following projects: Rapsu in Isiolo, Bura and Hola in Tana River, Kibwezi in Makueni, Mitunguu and Muringa Banana in North Meru, Mwea in Kirinyaga and Kaagari Gaturi in Embu. With the implementation of these projects, we shall bring under irrigation a total of 36,100 acres of agricultural land equivalent to 27 per cent of the planned 135,750 acres intended to benefit approximately 500,000 households.

We are also initiating new irrigation projects throughout the country to address hunger and poverty. To this end, the Government has allocated a total of Kshs3.5 billion to initiate some of those projects in order to bring a further 116,000 acres under irrigation

in the first year, out of 70,000 acres that have been planned in the medium term. When completed, we expect these additional projects to benefit and improve the lives of a further 300,000 Kenyans.

Mr. Deputy Speaker, Sir, our fellow Kenyans who live in northern Kenya have continued to suffer from conflict, hunger and famine, especially due to drought. To start the journey of building resilience and instituting a permanent source of livelihood, the Government has allocated Kshs.1 billion to be shared equally to initiate a 1,500 acre irrigation scheme at Rahole in Garissa, 2,000 acres in Habaswein in Wajir and another 2,075 acres of irrigation in Daua Clusters in Mandera. When completed, these projects will benefit a total of 34,000 people in North Eastern Kenya who live in these conditions.

In addition, we have allocated Kshs250 million to expand the ongoing irrigation project at Katilu in order to empower our people in Turkana to produce and feed themselves. We intend to fast track the implementation of that project from the current size of 650 acres to 12,500 acres in the medium term, in order to benefit a further 50,000 households who live in this area.

We are also, in this Budget, initiating new irrigation projects to enable many people, especially in arid and semi arid areas. To this end, the Government has allocated a further Kshs950 million to start implementing a three-year 2,700 irrigation program targeted to benefit about 11,000 people in Turkana.

We have also allocated a further Kshs130 million to fast-track completion of irrigation projects designs covering strategic interventions in areas such as Kalemunyan, Nakamane, Morulem, Naoros and Napak. I urge the Ministry of Water and Irrigation and the National Irrigation Board to fast-track the completion of those designs in order to have them ready for funding during the supplementary budget, so as to allow our people in this region to enjoy the benefits of adequate food supply early.

Hon. Members may also appreciate that the recent and ongoing investments in water dams and irrigation in lower eastern has slowly started to pay off. Through this Budget, the Government is allocating funding for two more irrigation projects at Usueni in Kitui and Iviani in Makueni at a cost of Kshs300 million and Kshs250 million, respectively. The completion of these projects will improve the livelihoods of about 8,000 people living in that area.

We are also initiating similar projects in other areas to assure regional equality. Accordingly, we have allocated resources, as a Government, as follows: Kshs150 million for a 500 acre irrigation project in Endalala targeting 2,000 beneficiaries and Kshs700 million to initiate a 17,500 acre irrigation project at Lower Kuja in Migori intended to benefit about 7,000 households and Kshs700 million to start implementing a 12,500 acre irrigation project at Lower Sio in Busia which will benefit approximately 50,000 households upon completion; Kshs600 million to initiate a targeted expansion of 11,250 acres in Ahero and West Kano targeting about 45,000 beneficiaries. Finally, we have Kshs150 million for the South West Kano Phase Two Project of about 7,000 acres covering about 30,000 beneficiaries.

Mr. Deputy Speaker, Sir, we have also allocated a further Kshs470 million to complete the designs of another 30 irrigation projects spread throughout the country covering 85,000 acres and intending to benefit 375,000 households. Finally, we have allocated Kshs1.2 billion as counterpart funding towards the expansion of the Mwea Irrigation Scheme being funded by JICA to the tune of approximately Kshs16 billion, and

to be implemented over a five-year period. The allocations I have referred to will largely go towards the resettlement of residents who now occupy the 1,200 acres of land targeted to be covered by that project expansion.

Current global food shortages present immense opportunities to our agricultural development. For Kenya to be a net global supplier of food, we must start to facilitate growth and expansion of agri-business by providing a sustainable access to a broad range of financial services through value chain approach, in order to facilitate increases in productivity; add value throughout and transform processing, marketing for the consumers. Building on our encouraging experiences in implementing the Kilimo Bora Project, the International Fund for Agricultural Development (IFAD) has extended a generous support of US\$10 million as a risk sharing facility to leverage commercial banks to lend approximately Kshs10 billion to rural and agricultural development targeting 700,000 households. This project is also intended to build capacity of rural groups with limited business experience and to facilitate the vulnerable women and youth to acquire financial graduation through skills training and asset creation.

Hon. Members, we are expanding this project by establishing a Kshs5 billion Impact Investment Fund under the Kenya Incentive Based Risk Sharing Agricultural Lending Programme (KIRSAL) to be implemented over a four-year period, in order to leverage Kshs50 billion lending to the agricultural sector and rural development targeting another 1.5 million small holder farmers and 10,000 agri-businesses throughout the country. To this end, we have allocated Kshs1 billion as an initial Government contribution to this Fund. The implementation of this programme will empower and position the private sector players in the agricultural sector to deliver pro-poor economic growth, reduce poverty, expand employment opportunities especially for our youth and diversify our export.

One of the greatest assets that our country has been blessed with is the vibrancy of our youth. According to the 2009 Population Census, the youth constitute a significant majority in our country. As such, the youth must be viewed as key stakeholders in the economy of this country and, indeed, the stewards of 2030. The youth of Kenya are highly talented, energetic and have shown great enthusiasm in entrepreneurship. Indeed, our youth have pioneered interventions in the ICT Sector, especially in the mobile technology and have given our country international recognition. We must, therefore, take measures to tap this pool of resources to push our economy up the technology value chain.

For this reason, the Government will continue to scale up youth empowerment programmes in order to ensure that our young people can look forward to a decent employment. Towards this end, we have scaled up the Kenya Youth Empowerment Project (KYEP) by Kshs210 million to go towards labour intensive works and social services, bringing the total expanded figure to Kshs1.8 billion in the upcoming financial year. This will reduce the vulnerability of unemployed youth through the expansion and enhancement of the *Kazi kwa Vijana* initiative.

[Mr. Deputy Speaker left the Chair]

[Mr. Speaker resumed the Chair]

The additional amount of money will enhance the coverage of the programme and target youth between the ages of 18 and 35 years under the *Kazi Kwa Vijana* (KKV). It aims to put money into our youth's pockets, while at the same time enhancing community access to social and economic infrastructure.

Hon. Members one of the challenges that face our youth as they seek formal employment is the requirement for prior experience by formal employers. This is despite the fact that many of these young people may not be able to secure internship positions to gain these experiences and to sharpen their skills. To address this challenge, I will be consulting with private sector players on the best way to extend tax breaks to firms offering internships and having placement for youth training, and passing on the relevant work experience and enhancing the employability of our youth. I, therefore, wish to urge our hardworking private sector partners to reciprocate, and avail opportunities for internship, while also harnessing the potential of our Kenyan youth.

Hon. Members, I have also enhanced the National Youth Enterprise Development Fund, and the Women Enterprise Fund by Kshs385 million and Kshs440 million, respectively. I now wish to challenge the management of these funds to show results to Kenyans.

Mr. Speaker, Sir, last year, we did propose a revolving fund for onward lending through selective banks to support micro and small businesses. The Fund has yet to be operationalised due to challenges posed by misrepresentation by some unscrupulous persons, who did, indeed, take advantage of my announcement to solicit funds and registration fees from members of the public under the guise of facilitating them to get credit from the selected banks participating in the programme. As a result, we have reviewed the implementation process of the Fund to ensure that we meet the original intended objectives of the project and to protect potential borrowers under this Fund. In the meantime, we have set aside a further Kshs1 billion to boost the SME Fund, and I expect the uptake to increase once logistical problems are sorted out.

Mr. Speaker, Sir, apart from engaging the youth in these activities, I would also like to encourage them to nurture their talents in the realm of sports. Time and time again, our young people have made this country proud by their exemplary performance in international tournaments in various disciplines. I believe that a clear investment in sports by proper management can turn this into an activity which attracts thousands of young people into sustainable employment. Our youth should be able to follow their dreams, and establish careers in sports. To this end, we have allocated a further Kshs210 million or Kshs1 million per constituency towards competitive sports for youths countrywide. This will be used to purchase trophies, and monetary awards to competing teams and compensation for officials overseeing this initiative. I urge private companies under their Corporate Social Responsibility (CSR) budgets to match this amount, at least, on a shilling for shilling basis.

Mr. Speaker, Sir, regarding cushioning the most vulnerable members of our society, we recognize the hardships our people are going through, more so, the vulnerable groups such as the elderly, physically challenged and orphaned children. This is a time when we must care for this group of persons. In expressing the Government's deep care, I have allocated under the Ministry of Gender, Children and Social Development an additional Kshs385 million, bringing to a total of Kshs567 million for disabled persons; Kshs2.8 billion to bring under the programme an additional 100,000 orphans and

vulnerable children; finally, Kshs470 million, which scales up the allocation of Kshs1 billion for elderly persons. This amount, which also includes an upward adjustment of the Monthly Transfer to Kshs2, 000 as recommended by this House, would enable us to increase the current coverage by two-fold from ten households to 20 households in every constituency in our country.

Mr. Speaker, Sir, we also have our brothers and sisters, who were displaced when the teachers' pay award agreed between the Kenya National Union of Teachers (KNUT) and the Government was under implementation. This group of senior citizens needs also to be cushioned, and I have therefore, allocated Kshs3.3 billion as the first disbursement of an enhanced retirement entitlement benefits towards social protection for this vulnerable group. This will increase the monthly pensions payable to our retired teachers, and thereby improve their welfare.

Mr. Speaker, Sir, we are going further to extend similar care to the vulnerable urban poor, who are equally experiencing hardship from high commodity prices. Through this Budget, we want to build on a successfully piloted organic gardening programme launched in 2008 by the Government of Kenya, The European Economic Community (EEC) and the Agricultural Fund for Development (AFD) to improve urban food security. To this end, we have allocated under the Ministry of Gender, Children and Social Development, Kshs845 million to expand this programme ten-fold by providing two empty sacks, soil, pebble stones, manure and seedling of any vegetables to each household. The project is planned to cover approximately 80,000 households in five urban slums in Nairobi, 50,000 households in three selected urban slums in Mombasa and 50, 000 households in two slums in Kisumu.

Hon. Members, through this project, we target to positively transform the lives of 650,000 households into food secure urban farmers. In the meantime, the Government is in the process of developing a comprehensive national social protection policy that will provide a framework for better targeting all categories of needy, vulnerable members of our society countrywide.

Mr. Speaker, Sir, some of our brothers and sisters who were displaced from their homes during the post-election violence and the need to initiate conservation of our water towers, especially around Mau, have continued to suffer. This situation must be brought to a closure to enable the remaining genuinely displaced persons to be settled and in order to enable them to live in a dignified manner. It is worth noting that so far, a lot of money amounting to approximately Kshs9.8 billion has already been provided in the past, to sort out this problem. But implementation has been wanting. To implement the final phase of the IDP resettlement programme under an appropriate framework to be developed by the Government, we have allocated Kshs4.2 billion, bringing the total spent on IDP resettlement to Kshs14 billion, which we expect to complete not just on resettlement of IDPs but those too, who need to be resettled from among those evicted from the Mau. I expect that the Ministries concerned will involve local communities, civil society organizations with experience in this matter, and indeed, some of our development partners in this final phase to allow for closure of this issue once and for all.

Mr. Speaker, Sir, turning now to the fiscal out turn for 2010/2011, the implementation of the financial year 2010/2011 Budget was satisfactory but with some challenges. These include difficulties in achieving the revenue targets in the first nine months of the year due to VAT withholding challenges, competition in the mobile

telephony sector, oil supply constraints that weakened tax collection and changes in the taxation of cigarettes in the Finance Act of 2010. On the expenditure side, the ongoing implementation activities of the new Constitution, together with interventions to address the drought and beef up security along our porous borders, put huge demand for additional funding.

Mr. Speaker, Sir, with this background in mind, I wish to take this opportunity to briefly apprise hon. Members on the financial out-turn for the year 2010/2011.

In the last Budget, it was estimated that total revenues including fees and duties collected and applied at source, would amount to Kshs689.6 billion, comprising Kshs609.6 billion in ordinary revenue and Kshs80.0 billion in Appropriations-in-Aid. Due to the challenges already mentioned, total revenues are now estimated to under-perform by approximately Kshs3.2 billion, and, therefore, we expect to close the financial year with revenues including A-in-A of Kshs686.4 billion.

Mr. Speaker, Sir, regarding the expenditures for 2010/2011 Estimates, reflected gross recurrent expenditure amounting to Kshs675.6 billion, including Kshs71 billion, which was to be financed through Appropriations in Aid. The Consolidated Fund Services took Kshs187.7 billion, while development expenditures had provisions of Kshs321.2 billion.

Mr. Speaker, Sir, overall, the approved Gross Recurrent Expenditure for the current financial year is now estimated as Kshs695.5 billion with Kshs70.7 billion being financed through A-In-A. Discretionary Expenditures, which are financed directly from the Consolidated Fund, amount to Kshs187.4 billion while the Approved Gross Development Expenditures amount to Kshs303.8 billion, with Kshs9.2 billion being financed through A-In-A and the remainder being financed from the Exchequer.

I now turn to the financial projections for 2011/2012. With regard to revenue, the total revenue target for the fiscal year 2011/2012 is Kshs787.6 billion or 24.7 per cent of GDP, comprising of Kshs713.6 billion of ordinary revenue and Kshs75.9 billion of A-In-A. The ordinary revenues are inclusive of Kshs9.2 billion normally collected as A-in-A applied at source, which now has been converted to Exchequer receipts. The targeted revenue is predicated on projected economic growth, the ongoing reforms in tax and customs and administration, and new tax measures, which I will outline later in my Statement. Appropriations-in-Aid now include fees collected by public universities, which were previously not captured in the Budget.

Mr. Speaker, Sir, as hon. Members may have noted from their copies of the Printed Estimates, the gross Recurrent Expenditure for 2011/2012 is estimated at Kshs754.4 billion. This includes Kshs70.7 billion, which will be financed through A-in-A and expenditures financed directly from the Consolidated Fund Services amounting to Kshs209.5 billion thus, leaving a net of Kshs474.2 billion for discretionary Recurrent Expenditure.

The Consolidated Fund Services comprises Kshs76.6 billion for domestic interest payments; Kshs7.5 billion for foreign interest payments; Kshs31.8 billion for pensions and Kshs3 billion for salaries and allowances of constitutional office holders and other non-discretionary expenditures. In addition, I expect to finance external redemptions amounting to Kshs25.8 billion, and domestic redemptions amounting to Kshs63.4 billion.

Mr. Speaker, Sir, the gross Development Expenditure for 2011/2012 is estimated at Kshs398.6 billion. Out of this amount, Kshs136.1 billion will be financed through A-

in-A comprising of direct project financing of Kshs28.4 billion in the form of grants, Kshs102 billion in the form of loans, and Kshs5.2 billion in the form of local A-in-A.

Taking the above into account, I expect to finance a net Development Expenditure amounting to Kshs262.5 billion from the Exchequer. This comprises of Kshs12.3 billion in the form grants revenue, Kshs39.4 billion in the form of loans revenue, and Kshs210.3 billion from the Government of Kenya.

On external grants, I have received commitments amounting to Kshs41.1 billion to finance development projects. Details of the donor projects to be financed are included in the Development Estimates. I wish to sincerely thank the development partners who have pledged and confirmed their support.

Mr. Speaker, Sir, after providing Kshs2 billion for the Contingency Fund, the Overall Expenditure for financial year 2011/2012 amounts to Kshs1,154,900,000,000, inclusive of domestic debt redemption of Kshs53.4 billion, external debt redemption of Kshs25.8 billion, with total expected receipts of Kshs970.7 billion, including loans and grants.

The overall deficit amounting to Kshs194 is as indicated in the Financial Statement that has been circulated to hon. Members. However, excluding the domestic debt rollover of Kshs52.8 billion from expenditures, and reflecting external debt redemptions of Kshs25.8 billion as a financing Item, while at the same time reflecting external financing as a more acceptable international standard practice, the total expenditure would amount to Kshs1,066.8 billion, giving rise to an overall fiscal deficit of Kshs236.2 billion or 7.4 per cent of GDP. This will be financed by net foreign financing of Kshs116.7 billion and Kshs119.5 billion from the domestic market. This means that the Fiscal Framework for 2011/2012 is fully financed and there is no financing gap.

Mr. Speaker, Sir, turning to taxation measures, overall, in your direction, the Ministry of Finance is expected to outline tax proposals and other measures to finance the Budget and thereafter lay the document on the Table of the House on a Motion "THAT the Measures be referred to the Budget Committee". In your wise counsel on page 11 of your ruling, you have stated that in invoking Section 7 of the Sixth Schedule of the Constitution, it is clear that it is possible and necessary to use the existing laws, including the Fiscal Management Act and the existing Government Financial Regulations and Procedures to navigate the Budget process, especially during this transition period.

Accordingly, under Section 2 of the Provisional Collection of Taxes and Duties Act, Cap.415, the Ministry of Finance is empowered to make an order through a Legal Notice, to the effect that all or any specific provisions of the Finance Bill, 2011 relating to Taxes or Duties shall have the effect as if the Bill were passed into law. Therefore, all the measures I am proposing herein will have their effective date as immediate and come in effect at midnight tonight.

Mr. Speaker, Sir, the rest of my Statement outlines various Tax measures I intend to introduce through the Finance Bill, 2011, to be tabled in this House. Those measures are intended to promote economic growth, expand employment opportunities, reduce poverty, cushion our people against high commodity prices and simplify the tax system. Therefore, I request that the remainder of this Statement be regarded as a notice of Motion to be moved before the Departmental Committee on Finance, Planning and Trade for consideration and necessary action.

The Tax measures and other miscellaneous amendments I intend to propose hereunder are broadly categorised into four priority areas, which complement the various expenditure policies that I have outlined in the earlier parts of my Statement. These include facilitating private sector growth and development, cushioning the economy and our people against high commodity prices, ensuring equity and fairness in our tax system, and enhancing tax administration.

Mr. Speaker, Sir, in view of the critical role played by the private sector in wealth and employment creation for the prosperity of our nation, I have proposed additional measures to complement those that I have already outlined.

I now turn to promotion of Agriculture for food security and employment. As an alternative to producing traditional crops, farmers have diversified and embraced fruit farming to mitigate the now frequent rain failures. We, therefore, need to promote value added linkages by supporting our food farmers to enhance their competitiveness. In this regard, aseptic plastic bags used to store fruit extracts will be granted duty remission and imported at the rate of 10 per cent instead of the Common External Tariff (CET) of 25 per cent.

We are reputed to also have robust dairy and poultry sub-sectors in the region. The high cost of premixes used in the manufacture of animal and poultry feeds continues to impact negatively on these critical inputs. In order to further support the gains made in this important sub-sector, we have reduced the Import Duty from 10 per cent to zero per cent.

Mr. Speaker, Sir, amongst other measures, passenger traffic in our airports continues to push positive growth. This calls for measures to further support our international airports to enhance their competitiveness, service delivery and also to mitigate matters of security and safety and promote quality airport services. We, therefore, propose to exempt from paying Import Duty apron buses used at our airports.

With regard to further supporting security for faster development, assuring protection of property rights, security for life and properties is critical to investment. Indeed, as we continue to expand our infrastructure, enhancing security will be critical in re-positioning Kenya as the regional investment destination of choice. In this regard, vehicles and equipment imported by the Kenya police shall be exempt from Import Duty.

Mr. Speaker, Sir, security equipment such as hand-held metal detectors, CCTV cameras, bomb detectors, under carriage walk through metal detectors and under carriage mirrors will also enjoy duty exemption. This will make it cheaper for other security providers to provide this critical service in the wake of global terrorism and security threats.

In the recent past His Excellency the President has issued a directive that all sim cards in use be registered for security purposes. To this end, we propose to amend the law to make it mandatory for issuers of sim cards to ensure registration before activation for use by their subscribers.

Mr. Speaker, Sir, the world today has become a global village. In order to enable local banks to provide banking services to their customers while abroad without having to open subsidiaries, I propose to amend the Banking Act to require the Central Bank of Kenya to formulate guidelines to allow banks to enter into arrangements with banks outside Kenya to offer limited banking services to Kenyans while abroad.

Mr. Speaker, Sir, sharing of credit information amongst lenders is very critical in decision-making for new lines of credit. With the recent introduction of deposit-taking macro-finance institutions, there is need to broaden the sharing of credit information to cover these new institutions. To this end, we propose to amend both the Banking Act and the Micro-Finance Act to allow for credit information sharing by institutions licensed under the two Acts.

Mobilization of deposits from the public is only allowed to financial institutions regulated under the law. However, some unscrupulous persons have been found to engage in deposit-taking business without a license, particularly in the micro-finance sector with the aim of fleecing Kenyans. In order to address this problem I propose to amend the Micro-Finance Act to prohibit deposit-taking businesses by unlicensed entities.

Further, we propose to amend the Micro-Finance Act to prohibit institutions from obtaining approval from the Registrar of Companies to use the words “Deposit-taking Micro Finance” in their business name from commencing deposit-taking business before being issued with a deposit-taking license by the Central Bank of Kenya.

Further, I now turn to further deepening Capital Markets for faster growth and employment. Pension schemes are required to appoint fund managers to professionally invest scheme funds irrespective of their size and class of investment. This requirement has put unnecessary administration costs on pension schemes that invest all their funds in guaranteed funds. In order to lower the administration costs of these pension schemes and help them to grow their asset base, we do propose to amend the law to remove this requirement for appointing fund managers by schemes that invest all their funds in guaranteed funds.

Mr. Speaker, Sir, the Government has to date initiated critical reforms that have positively impacted on the capital markets, leading to a substantial growth in the security segment. In order to further deepen the capital markets I propose to amend the Capital Markets Act to facilitate introduction of an over-the-counter market for bonds. This measure will go a long way to facilitate issuance of bonds by small and medium enterprises.

In my last year’s Budget, we did announce measures to be taken to facilitate future trading in commodities. One of the measures was the establishment of a futures exchange to serve as a platform for trading futures contracts of multi-asset classes such as currency, mineral and energy derivatives. In this regard, we do propose to amend the Capital Markets Act to allow for the introduction of a regulated commodities futures market.

We have had experience of insurance companies collapsing and exposing policy holders, particularly when they dispose of their assets upon experiencing financial problems. In order to address this problem we do propose to amend the Insurance Act to empower the Insurance Regulatory Authority to assume control of the assets of financially troubled insurance companies.

Mr. Speaker, Sir, I now turn to further caring and cushioning our people against high commodity prices. In addition to policy and expenditure measures that I have already mentioned which are aimed at improving the welfare of our people, we have also proposed additional tax measures to cushion our economy and the people of Kenya against higher prices.

In April, this year the Government reduced excise duty on kerosene by 30 per cent in order to stem the impact of rising fuel prices on households. However, the cost of living has continued to increase due to the rising international oil prices. In order to further cushion Kenyans from the effects of high cost of living and make kerosene prices more affordable to the common *mwananchi*, we do propose to remove Excise Duty on kerosene all together.

Mr. Speaker, Sir, with regard to diesel we did reduce the Excise Duty on diesel by a further 20 per cent and we further propose to retain that reduction at 20 per cent to further cushion our people.

Mr. Speaker, Sir, the East African Community Ministers of Finance during their pre-budget consultations of 7th May, 2011, held in Kampala, Uganda, also agreed on a number of measures to cushion the majority of the poor against the high cost of food.

First, due to limited local and regional rice production capacity, we have extended stay of the CET application to allow importation of all types of rice at the rate of 35 per cent instead of the 75 per cent for a further period of one year.

Secondly, our capacity in the region to produce wheat grain to meet local demand is limited. In order to enable our millers import wheat grain to supplement local production, we are allowing the importation of wheat grain under the duty remission by gazetted millers at the rate of zero per cent instead of the 10 per cent granted last financial year for a further period of one year.

Thirdly, even though maize is produced in our region, the level of production has fallen drastically due to poor weather, occasioning shortages of the basic food stuff. Again the Government does propose to grant remission of duty for a period of six months on maize grain imported by gazetted millers at the duty rate of 10 per cent instead of the 50 per cent as per the EAC CET. We do believe that those measures will go a long way in helping cushion the most vulnerable in our society against rising prices.

I now turn to measures to ensure equity and fairness in our tax system. Kenyans are known to be innovative and hard-working. We have recently seen the three-wheel distribution pickups powered by motor cycle engines. There is emerging technology of motorcycle ambulances suitable for use in rural areas just like motor vehicle ambulances which are duty free in the EAC CET. We do propose to remove the import duty on motor cycle ambulances in order to reduce the incidents of home births in our rural areas.

I have also noticed that there are some employees who work for more than one employer and will end up getting multiple reliefs. We do propose to amend the PAYE rules to provide that an employee shall only qualify for one personal relief.

The Government is concerned about the housing shortage prevailing and would like to address the problem using investment vehicles such as the Real Estate Investment Trusts (REITs). To this end, we do propose to amend the Income Tax Act to exempt REITs from corporation tax in addition to exempting investors who receive dividends from REITs from the payment of withholding tax. It is the obligation of every person to pay his or her fair share of tax. However, it has been noted that some professionals are not paying taxes in accordance with their income. Therefore, we propose to increase the withholding tax in respect of payments made to such professionals from 5 to 10 per cent.

The global trend is for the simplification of excise tax systems. Our current excise tax structure for tobacco products has been criticised as being complex, and in order to address this concern, we do propose to harmonise the Excise Duty for cigarettes at

Kshs1,200 per mille, or 35 per cent of the Retail Selling Price (RSP), whichever is higher. The proposed regime will reduce incentives for substitution amongst different brands, is in line with the public health objective of reducing tobacco consumption and also will increase Government revenue.

Mr. Speaker, Sir, just like in the case of cigarettes, the reform measures in beer taxation is also aimed at meeting the simplicity principle and discouraging abuse of beer. We do propose to introduce a similar reform measure to harmonise the rates of beer at Kshs70 per litre or 40 per cent of the retailing price, whichever is higher. This will also address administrative challenges emanating from misclassification to reduce tax liability.

Mr. Speaker, Sir, with regard to enhancing tax administration, it is important that countries safeguard their revenue through sharing and co-ordination of tax information to avoid tax evasion, and transfer pricing. Through this Budget, we are proposing to amend the law to allow the Government to enter into tax information exchange agreements, which are faster to conclude with other tax jurisdictions in order to facilitate exchange of information that will assist in taming tax evasion and ensuring all potential tax payers do pay their taxes.

Mr. Speaker, Sir, the Government has noted that there are many taxpayers who file income tax returns, yet all their as Pay As You Earn (PAYE) taxes have been paid promptly by their employers on a monthly basis. In order to reduce unnecessary tax filing of tax returns, we do propose to abolish the filing of returns by employees who have no other income and their PAYE is being paid to the Exchequer by their employers. There are taxpayers who refuse to apply for the Personal Identification Number (PIN), thereby frustrating Kenya Revenue Authority's (KRA's) efforts to register and to recruit taxpayers. Consequently, I have proposed to amend the Income Tax Act and to give the commissioners express powers to register such taxpayers.

Mr. Speaker, Sir, in my last Budget Speech, we did highlight the challenges facing the administration of Value Added Tax (VAT), especially the complexities in its administration and the ever increasing VAT refund backlog. We did undertake to review the VAT Act with a view to making it simpler and easier to administer. I have kept my promise and we wish to report to this House that the task force I constituted has finalized the review and produced a draft VAT Legislation Bill consistent with the spirit of our Constitution. I intend to upload the draft Bill on VAT on our Treasury website shortly for the public to make their comments and then submit a revised version to a stakeholders' workshop scheduled for August of this year.

Mr. Speaker, Sir, we shall, thereafter incorporate the comments received before submitting the final draft to Cabinet for consideration and approval allowing for publication by the Attorney-General and tabling in this House. I wish to call on this House to fast-track debate on this critical Bill when it is submitted and pass it into law to accord our taxpayers the early opportunity to comply with a simpler, modern and new VAT law.

Mr. Speaker, Sir, in conclusion, the 2011/12 Budget reflects our collective desire and commitment to respond to the most pressing challenges of our economy which our people are facing currently and it builds resilience, going forward. It focuses on continued maintenance of macro-economic stability, scaling investments and infrastructure, security and the business regulatory reforms to reduce the cost of doing

business and make our economy more competitive. This Budget also marks the first bold step towards addressing, once and for all, the related challenges of hunger and famine through a comprehensive food security programme, while at the same time puts in place enhanced measures to cushion the vulnerable groups in our midst. These are the issues raised by many Kenyans, who have walked with us on the long journey of this Budget preparation either directly or under the democratic Medium Term Expenditure Framework (MTEF) sector hearing process, or through written e-mail submissions which we received and have acted on and taken on as part of the measures of this Budget.

Mr. Speaker, Sir, for those Kenyans who made their presentations, I would like to acknowledge them for agreeing to play their part in the Budget-making process with utmost patriotism. In addition to the public hearings held by my Ministry, many took the initiative to send in letters and memoranda to my Ministry on the same. Further, we were able to include the number of growing technology savvy Kenyans, who were active on social media through an online suggestion form and a facebook and a twitter campaign on our official pages. Through these twits and facebook wall posts, e-mails and blogs, we did receive more than 3,000 submissions from Kenyans, both locally and in the diaspora, which have contributed greatly to our ability to craft the Budget.

Mr. Speaker, Sir, it is important to note that 50 per cent of these submissions were indeed received from Kenyans between the ages of 18 and 30, and I would like to specifically commend this group of young Kenyans for taking it upon themselves to embrace technology and to engage with the Government through Information Technology (IT) and social media, which I believe is the new frontier of public engagement. I would also like to encourage all Members of Parliament to also join these forums and other such platforms through which we can directly and constructively engage with all Kenyans in real time.

Mr. Speaker, Sir, as we are all aware, the Constitution was the desire of all Kenyans. Those of us who were privileged to be charged with the responsibility of implementing it should appreciate that history has bestowed upon us a unique opportunity and we should, therefore, be cautious during the implementation phase and ensure that we read the letter and spirit of the Constitution. Let us appreciate that the Constitution will outlive all of us. Ours is to lay a firm constitutional foundation for serving the generations to come, and place our country on the path of durable social stability and prosperity.

Mr. Speaker, Sir, as I conclude, I wish to thank His Excellency the President, the Rt. Hon. Prime Minister and, indeed, my Cabinet colleagues and the relevant parliamentary committees for the support that they have accorded my Ministry in the process of crafting our Budget.

Mr. Speaker, Sir, finally, allow me to take this opportunity to thank my Permanent Secretary and the staff of the Treasury for the many hours of dedication and commitment to this process. Thank you all and Mr. Speaker, Sir.

NOTICE OF MOTION

REFERRAL OF FINANCIAL STATEMENT AND OTHER DOCUMENTS TO BUDGET COMMITTEE

The Deputy Prime Minister and Minister for Finance (Mr. Kenyatta): Mr. Speaker, Sir, I beg to give notice of the following Motion:-

THAT, the Financial Statement and all other documents tabled today, Wednesday, June 8th, 2011, for the Fiscal Year 2011/2012 be referred to the Budget Committee.

Mr. Speaker, Sir, the documents are The Provisional Collection of Taxes and Duties Act, The Statistical Annex to the Budget Speech, The Financial Statement, The Medium Term Debt Management Strategy, The Finance Bill and various other Bills for consideration and forwarding to the Finance Committee.

Mr. Speaker: Very well! Hon. Members, note that the Minister has given Notice of a Motion.

POINT OF ORDER

VETTING OF JUDICIAL NOMINEES: PROGRESS REPORT BY CIOC

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

Mr. Speaker: What is it, Chair of the Constitution Implementation Oversight Committee?

Mr. Abdikadir: Mr. Speaker, Sir, this House and you, had given the Constitution Implementation Oversight Committee to report back today on the matter of the Chief Justice, Deputy Chief Justice and the Director of Public Prosecution nominees. Would I be in order to report progress?

Mr. Speaker: You will be in order because of the urgency of the matter and the public interest in it.

Proceed!

Mr. Abdikadir: Thank you, Mr. Speaker, Sir, for granting me this opportunity.

Mr. Speaker, Sir, the Committee has sat over the last three days on those issues. It has interviewed and interacted with all the nominees and we are done with them. We are also done with the members of the public who were interested in bringing memoranda and other issues on the matter. We have got all the clarifications we sought. We now need to organize that and analyze it, so that a report can be prepared. We, obviously, cannot do it today. Therefore, we are seeking an extension of that until Tuesday next week.

Mr. Speaker: Hon. Members, you have all heard the plea by the Chair of the Constitution Implementation Oversight Committee. First, I wish to commend the Committee for their input in the process. Their industry has, undoubtedly, stood out as exceptional and, perhaps, demonstrative to the Kenyan public that this House is equal to the task of fully implementing the Constitution. We have proved that we can easily and very quickly transact whatever business is brought to this House. We have actually concluded dealing with all the Bills that the Minister for Justice, National Cohesion and Constitutional Affairs has cared to bring to the House. The ball is now back in the court of the Executive to bring more Bills to this House.

(Applause)

In that light, I direct that the Committee be granted until Tuesday next week to table its Report and, thereafter, for this House to immediately proceed to debate and approve or disapprove the nominees as made by His Excellency the President. That is how things will stand. The House Business Committee will have to do its part to ensure that it allots time to this business in the course of next week.

ADJOURNMENT

Mr. Speaker: Hon. Members, that brings us to the end of business before the House this afternoon. The House, therefore, stands adjourned until tomorrow, Thursday, 9th June, 2011, at 2.30 p.m.

Hon. Members, please, remain upstanding until after His Excellency the President has left.

DEPARTURE OF HIS EXCELLENCY THE PRESIDENT

(Hon. Members rose in their places while His Excellency the President left the Chamber)

The House rose at 5.05 p.m.