

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 7th June, 1995

The House met at 2.30 p.m.

[Mr. Speaker in the Chair]

PRAYERS

ORAL ANSWERS TO QUESTIONS

Question No. 093

RENOVATION OF GOVERNMENT QUARTERS

Dr. Lwali-Oyondi asked a Minister of State, Office of the President:-

(a) if he is aware that the District Commissioner's subordinate staff in Nakuru are being subjected to inhuman conditions by being refused water and other health facilities in their camp of residents; and,

(b) what steps he is taking to renovate these Government quarters.

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

(a) I am not aware of any subjection to inhuman conditions of any subordinate staff of the District Commissioner, Nakuru. What I am aware of, however, is that the subordinate staff, who are residents, are sometimes hit by water shortages like any other tenant in other residential estates in Nakuru Municipality.

(b) My office will renovate these Government quarters when we receive sufficient funds from the Treasury.

Dr. Lwali-Oyondi: Mr. Speaker, Sir, I am surprised by the answer given by the Assistant Minister because probably it is showing that his left hand does not know what his right hand is doing. I asked the same Question last year and the answer was that it is true, that the District Commissioner's subordinate staff quarters in Nakuru have never had water since 1991. In view of that, I think the answer is very absurd. When are these particular staff quarters going to be supplied with water because the taps themselves are not even there?

Mr. Sunkuli: Mr. Speaker, Sir, in the first place, the hon. Member has mis-represented the fact. It is very clear that he does not live in those quarters and relies on information that he gets. Now, I want to give him better information. There are taps in these staff quarters in Nakuru Municipality. The problem, and the hon. Dr. Lwali-Oyondi ought to know this, is that sometimes Nakuru Municipality is hit by water shortages and that is the inconvenience that is suffered by our subordinate staff.

Mr. Speaker, Sir, I am not aware of any inconvenience beyond the general inconveniences.

Dr. Lwali-Oyondi: On a point of order, Mr. Speaker, Sir. Is the hon. Member in order to mislead the House? I have visited those quarters and I know that there is no water although in his own answer dated 6th May, 1994 he said that he is aware and that the water was disconnected because of non-payment of Kshs.988,762. Is the Assistant Minister in order to continue misleading the House when I was there last week and confirmed that there is no water and no taps?

Mr. Sunkuli: Mr. Speaker, Sir, who is misleading the House? Is it not the hon. Member who is on one hand he is saying that the water has been disconnected and then on the other hand saying that there are no pipes or taps there? I would like to say that I am not misleading this House, but the hon. Member for Nakuru for some purposes which I do not understand, is misleading the House.

Mr. Galgalo: Mr. Speaker, Sir, what steps is the Assistant Minister taking to ensure that Government staff are not forced to live in dehumanising conditions in view of the fact that Government quarters are dilapidating in many parts of this country due to lack of repairs?

(Applause)

Mr. Sunkuli: Mr. Speaker, Sir, were it not that the hon. Member is painting a very green picture, I would be

inclined to say that, in fact, when buildings dilapidate and the Government has to repair them, we request for more funds from this particular House to enable us to do that job. However, I do not think the situation has ever reached what the hon. Member is calling 'inhuman conditions'. Certain houses do get old out of wear and tear and we try to repair those that are repairable and those that are beyond repair are condemned.

Mr. Shikuku: Thank you, Mr. Speaker, Sir. I find it very difficult to believe my own ears when I hear the hon. Member saying what he is saying as if he comes from Mars. Has the Assistant Minister ever tried to find out or visited these round huts which were built by the colonialists? Since he is in the Office of the President, does he know that the policemen are still living in those round huts built by the colonialists? Is that not dehumanisation? If he does not know, then what can he know in this world?

(Applause)

Mr. Sunkuli: Mr. Speaker, Sir, I did not say that I did not know that in some police stations the buildings are very old. I know that, but what the hon. Member has not understood is that I was being asked why buildings that are getting old are not being repaired and I have answered that question by saying that in some cases it is due to lack of adequate funds while in some cases it is because of exactly what the hon. Member for Butere is saying that the houses are too old to be repaired and hon. Shikuku too does not come from Mars and he know that we are a country that is suffering from lack of adequate funds. We cannot continue to house a large number of public servants out of public funds.

Prof. Ouma: Mr. Speaker, Sir, I respect the Assistant Minister because he always tells the truth, but today he is not up to the match. In some cases it is just lack of concern. If you visit some of our prisons you will wonder who the prisoner is. The prison warders are living in dehumanising conditions. Just go to Lang'ata and you will see for yourself what I am talking about. Who is the prisoner; the warder or the convict? I am speaking as a graduate of prison. I have been through some of the hardest prisons in this country because of politics. Let the Assistant Minister not change his colour. He has been a dignified person; telling the truth always. Let him admit that in some cases it is lack of concern and not lack of money. Why are prison Warders living below sea level?

Mr. Sunkuli: Mr. Speaker, Sir, I would like to continue retaining the respect that hon. Prof. Ouma has always given me. But I cannot help presenting the facts as they are. The hon. Member has asked me to comment on the condition of houses of prisoners and prison warders. I am personally incapable of commenting about the houses of prison warders or the prisons because I have never gone to prisons in any of those two capacities. The docket of prisons does not fall under the Office of the President and the facts are not known to me officially.

Dr. Lwali-Oyondi: Mr. Speaker, Sir, could the Assistant Minister deny or accept the fact which is being stated by wananchi; that they have disconnected this water to make wananchi run away and give certain people an opportunity to grab this particular plot?

Mr. Sunkuli: Mr. Speaker, Sir, I am aware that a number of people in Nakuru, including the hon. Member, have been spreading that kind of rumour.

Question No.208

SACKING OF MR. RORI

Mr. Speaker: Mr. Anyona's Question is deferred.

(Question deferred)

Question No.226

REPAIRS TO AMBULANCES

Rev. Ommani asked the Minister for Health:-

- (a) whether he is aware that the ambulances supposed to serve in health centres within Kakamega District are broken down and lying somewhere within the District: and
- (b) when the vehicles will be repaired and put to service.

Mr. Speaker: Sorry. We will defer all Questions directed to the Ministry of Health until about after 3.00 p.m. this afternoon. We will come back to the Question later on.

(Question deferred)

Question No.240

TARMACKING OF MAKUYU ROADS

Mr. R.K. Mungai asked the Minister for Public Works and Housing:-

(a) whether he is aware that most of the roads in Makuyu

Constituency are not tarmacked despite the fact that it is an important foreign exchange earner due to its high yields of coffee and horticulture; and

(b) if the answer to "a" above is in the affirmative, what steps is the Ministry taking to rectify the situation.

The Minister for Public Works and Housing (Prof. Ng'eno): Mr. Speaker, Sir, I beg to reply.

(a) I am aware that most roads in Makuyu Constituency are not tarmacked.

(b) The roads in Makuyu Constituency are maintained to keep them motorable and the exercise will be continued in the normal manner.

An Hon. Member: What normal manner?

Prof. Ng'eno: They will continue to be maintained.

Mr. R.K. Mungai: Mr. Speaker, Sir, we have only two major roads in Makuyu Constituency; D424 and E492 both of which are currently not motorable. I would like to challenge the hon. Minister to visit the area and see the roads for himself. If he can get through there in his car then he will prove to me that the roads are motorable. You cannot pass through road D424 because there is a bridge that was washed away by floods three years ago. This bridge is next to Makuyu Railway Station, but it has never been repaired. What is the Ministry doing to make those two roads all-weather roads?

Prof. Ng'eno: Mr. Speaker, Sir, I take the hon. Member's challenge. I will visit that area on Tuesday morning personally to see whether those roads are motorable or not.

Mr. Gatabaki: Mr. Speaker, Sir, over the weekend, I had the honour of visiting hon. Kamotho's constituency and I was shocked by the state of the roads which are impassable and---

Mr. Ndicho: On a point of order, Mr. Speaker, Sir. Hon. Gatabaki said that over the weekend he had the honour of visiting hon. Kamotho's constituency. Could he tell the House which constituency hon. Kamotho represents in this House?

Mr. Speaker: Order! I think hon. Members must be more serious than that. I think every Kenyan is a constituent of some constituency. Proceed, Mr. Gatabaki.

Mr. Gatabaki: In actual fact, Mr. Speaker, Sir---

Mr. Shikuku: On a point of order, Mr. Speaker, Sir. We are all known by our constituencies and we know that the Constitution of this country provides for Nominated Members. Is the hon. Member in order to allocate a constituency to a person whom we know was not elected?

Mr. Speaker: Order! I think I have made it perfectly clear that there is a difference between the hon. Kamotho coming from Kangema Constituency and being the hon. Member for Kangema. We must understand that. We all know that the Member for Kangema is hon. Michuki and that is not in dispute.

Mr. Gatabaki: Thank you very much, Mr. Speaker, Sir, for correcting the image of Kamotho not being an elected Member---

Mr. Speaker: Order! Mr. Gatabaki, unless you are going to be serious and ask your question, I will give the opportunity to a much more serious Member.

Mr. Gatabaki: Could the hon. Minister tell the House if there is a criteria that the Government uses in deciding which roads to tarmac in view of the fact that most roads in Central Province are in an appalling state of upkeep?

Prof. Ng'eno: First of all, Mr. Speaker, Sir, I did not follow that supplementary question. I have to ask the hon. Member to repeat his question and put it in proper English so that I can understand.

Mr. Speaker: Mr. Gatabaki, would you like yourself to be understood by the Minister?

Mr. Gatabaki: Mr. Speaker, Sir, I will simplify my English. Is there a criteria used by the Government of the Republic of Kenya in deciding which roads to tarmac and which roads to neglect in view of the fact that most roads in Central Province which serve some of the most productive areas in the country are in an appalling state?

Prof. Ng'eno: Mr. Speaker, Sir, apart from the known fact that most of the tarmacked roads in Kenyan are

concentrated in Central Province, there is a criteria used which is the prioritisation by the District Development Committees (DDC). So, if the road is considered by the DDC to be so essential, the Ministry of Public Works and Housing takes that into consideration and goes about looking for money to tarmac that road. Some of the money may come from the donor community. We influence the various donors like Italians, Germans or whoever, and if they accept and are satisfied, they give us the money. If not, and we feel that the road is very important, then we use the Government of Kenya money. So, that is the criteria used.

Mr. Speaker: Mr. Mwaura, the Floor is yours.

Mr. Icharia: On a point of order---

Mr. Speaker: Order! Order! Order! In spite of the fact that the hon. Member has similarities which are quite familiar, I have not made any mistake by calling upon the hon. Mwaura. I was quite specific. Occasionally I am mistaken, but this time I am not.

Mr. Mwaura: Thank you very much, Mr. Speaker, Sir. The Minister yesterday informed this House that his Ministry has now been able to raise over a billion shillings through the Petroleum Levy. Can the Minister tell this House how that money has been used in the repairs or development of roads in the country, nationally?

Prof. Ng'eno: Mr. Speaker, Sir, you will agree with me that is a separate Question altogether, but all the same, let me oblige by saying that the whole House should be aware, that to maintain a road to gravelling level, one kilometre costs Kshs.800,000. So, with that knowledge in mind, one billion shillings will not go very far. It cannot do the kind of job that we would like to do throughout the country.

An hon. Member: On a point of information!

Mr. Speaker: Would you like the information, Mr. Minister?

Prof. Ng'eno: I have all the information on roads and I want to give the information to the hon. Members.

(Loud consultations)

Mr. Speaker: Order! Order! Order! Mr. P.N. Ndwiga, the best an hon. Member can ever do is not to change his colours.

Dr. Otieno-Kopiyo: Mr. Speaker, Sir, given the Minister's answer that the criteria used in deciding which roads to tarmac is the decision by the DDC, all roads in the country would have been tarmacked by now because all DDCs would like the roads in their areas tarmacked. Is this really a serious issue, that the DDC's decision is taken seriously by your Ministry?

Prof. Ng'eno: Mr. Speaker, Sir, I said one of the criteria is the prioritisation by DDCs, but quite obviously, you cannot do every road that every district prioritises because the question of availability of money has also to be looked into.

Mr. Speaker: Next Question, Mr. Mwaura!

Question No. 045

AWARDS OF MINISTRY CONTRACTS

Mr. Mwaura asked the Minister for Public Works and Housing:-

(a) what action he is contemplating to take against those involved in the fraud involving Kshs.200 million at the National Housing Corporation.

(b) whether he could assure this House that no more award of contracts involving his Ministry will be made without following the laid down regulations.

The Minister for Public Works and Housing (Prof. Ng'eno): Mr. Speaker, Sir, I beg to reply.

As you will recall, I had asked for this Question to be deferred because there were some issues that I had considered inadequately considered. But on second thought, I have come to realise that the first answer, in fact, was the correct one because I am the one who approved it in any case. So, I have to use that answer today.

(a) I am not aware of any fraud of Kshs.200 million at the National Housing Corporation, and, therefore, the question of taking action against anybody does not arise.

(b) I am not aware of any contract involving my Ministry that have been awarded outside the laid down regulations. However, I take this opportunity to assure the House that my Ministry will continue to adhere to the standing regulations and procedures when awarding contracts.

Mr. Mwaura: Mr. Speaker, Sir, I am surprised to hear the Minister say that there was no corruption in the awarding of contracts. Can I ask the Minister to tell this House how many estates were sold by National Housing

Corporation, whether these estates were advertised or tendered, and how much money was spent?

Prof. Ng'eno: Mr. Speaker, Sir, the hon. Member is asking how many estates were sold. I do not know what he is talking about, neither do I know when these estates were supposed to have been sold. He is the one asking the Question. He is now asking me.

Mr. Gatabaki: On a point of order, Mr. Speaker, Sir. Is it in order for the Minister to continue misleading the House on theft by this Corporation which has been so extensively covered in our national media and in view of the fact that he knows very well about the extent of the graft in that particular Corporation?

Prof. Ng'eno: Mr. Speaker, Sir, I am not misleading the House, but the burden is actually on the hon. Members to ask the Question so that I answer, but you can see he is now trying to change our practice by trying to tell me to ask the Question. He is asking me to ask the Question, something which I cannot do.

Mr. Mwaura: Mr. Speaker, Sir, I am prepared to bring to this House the name of the estates which were sold last year, like Upper Hill by the National Housing Corporation, and these estates were sold to consultants who had been working for the National Housing Corporation.

An hon. Member: But they were sold to Kenyans.

Mr. Mwaura: It does not matter whether they are Kenyans or not, because there were no tenders or advertisement. As a result of that, over Kshs.60 million was lost by the National Housing Corporation. Again, as a result of that, some senior officers of the National Housing Corporation had been suspended when the investigations on corruption were being made up. Does the Minister know about it?

Prof. Ng'eno: Mr. Speaker, Sir, that is not the Question on the Order Paper. That is a separate matter altogether, and the hon. Member is asking about the manner in which Upper Hill houses were disposed of. He is referring particularly to a certain Messrs. Gravity Experts which is an organisation owned by a former employee of the National Housing Corporation which was at the same time commissioned to do some work for the National Housing Corporation. As far as the Question the hon. Member is asking is concerned, I would like to say that this matter is right now under investigation by the Criminal Investigation Department. I cannot give a proper answer until that investigation is completed, because it is on the basis of such investigations that I will be able to say whether an irregular thing has happened or not, and if so, what action will be taken. You will agree with me that, that is a separate Question altogether. It has nothing to do with fraud involving Kshs.200 million which is being raised by the Question on the Order Paper.

Mr. Obwocha: Mr. Speaker, Sir, can the Minister agree with me that the current Managing Director of the NHC has been moving through all parastatals because where he originated from - the Kenya Milling Corporation - he did misappropriate funds and that this would prejudice the investigations in this case?

Prof. Ng'eno: Mr. Speaker, Sir, the movement of officers of the Government have nothing to do with me personally, as the Minister for Public Works and Housing!

Dr. Lwali-Oyondi: On a point of order, Mr. Speaker, Sir. Is the Minister in order to say that transfer of staff has nothing to do with him when he is in the Government? He should be collectively responsible!

Prof. Ng'eno: Mr. Speaker, Sir, that is an accusation which has not yet been established. There is a Government officer who has been appointed by the Government to run the NHC and, as far as I am concerned, he is doing a good job.

Mr. Nthenge: Mr. Speaker, Sir, could the Minister tell us how wealthy is that officer and how did he acquire that wealth within such a short time and the Corporation lost money?

Prof. Ng'eno: Mr. Speaker, Sir, the hon. Member has completely deviated from the original Question and hon. Members are now "fishing in murky waters"! I cannot agree that whatever they catch is fish or something else.

Mr. Kamuyu: On a point of order, Mr. Speaker, Sir. The hon. Questioner has asked this general Question concerning Kshs200 million. Can he lay on the Table now any papers or documentary evidence to satisfy this House that he is asking this Question with some prior knowledge and documentary evidence?

Mr. Speaker: Order, Mr. Kamuyu! Once a Question has been admitted into this House, there cannot be a challenge as to its genuineness.

Next Question, Mr. Michuki.

Question No. 116

ALL-WEATHER STANDARDS FOR ROADS

Mr. Speaker: Mr. Michuki not here? Next Question.

Question No. 158

NATIONAL FUND FOR DISABLED

Mr. Ruhiu asked the Minister for Culture and Social Services:-

- (a) how much the National Fund for the Disabled has invested since its inception; and
 (b) if he can enumerate these investments and give the amount of money for each investment.

The Assistant Minister for Culture and Social Services (Mr. Kirior): Mr. Speaker, Sir, I beg to reply.

- (a) The National Fund for the Disabled has since its inception invested Kshs173,022,803.75
 (b) The investment is as follows:-

	<u>Kshs</u>
Rehema House, City Centre	25,000,000.00
Rehema House, Westlands	125,000,000.00
Fixed Deposits in Banks	<u>23,022,203.75</u>
Total	<u>173,022,803.75</u>

Fixed Deposits in Banks are as follows:-

	<u>Kshs</u>
Continental Credit Finance	964,874.20
Consolidated Bank	5,755,057.40
National Industrial Credit	5,452,140.00
" " "	2,000,000.00
Kenya Commercial Finance	8,600,131.15
" " "	<u>6,250,000.00</u>
Total	<u>23,022,203.75</u>

The expected interest accruing from those fixed deposits is Kshs812,634.75.

Mr. Ruhiu: Mr. Speaker, Sir, this is a Question that concerns the less fortunate members of our Kenyan society. I note that money put in fixed deposits with the Continental Credit Finance in August, 1985, have not yet been earning any interest. However, with regard to this house known as Rehema House in Westlands, could he tell the House whether this is the former Captain Bill House which belong to Haban Singh, the contractor? Who valued this house before the Fund for the disabled bought it and at what price? According to me, this house was bought at an inflated price of Kshs250 million!

Mr. Speaker: Order, Mr. Ruhiu! I think you are totally out of order to ask a question and then answer it yourself!

Mr. Kirior: Mr. Speaker, Sir, I do not know the owner of this house, but I know it was bought in 1993 for Kshs125 million.

Mr. Omino: Mr. Speaker, Sir, what is the rate of return on Rehema House, City Centre and Rehema House, Westlands?

Mr. Kirior: Mr. Speaker, Sir, I do not have those details except that all the money that we have is in fixed deposits in various banks.

Mr. Omino: On a point of order, Mr. Speaker, Sir. I want to know the rate of return on Rehema House, City Centre, and Rehema House, Westlands, and not how much money they have.

Mr. Kirior: Mr. Speaker, Sir, I will have to look for that answer since I do not have it right now.

Mr. Wamae: On a point of order, Mr. Speaker, Sir. The hon. Questioner said that Rehema House, Westlands, cost Kshs250 million and the hon. Assistant Minister said it was Kshs125 million. We need clarification here? Where is the truth?

Mr. Kirior: Mr. Speaker, Sir, I said that Rehema House, Westlands, cost Kshs125 million, but the Rehema House, City Centre, cost Kshs25 million.

Mr. Ndicho: Mr. Speaker, Sir, why invest all this money in these houses when he knows that this money that was raised by the President some years back was meant to help the disabled in this country? This money is not helping those people it was intended for but it is being invested in houses. Can the Assistant Minister tell us how many disabled persons have benefited from this money instead of buying houses and plots in guise of investment? It was meant to help the disabled persons. Why should it go to other areas when we have a lot of invalids in this country?

Mr. Kirior: Mr. Speaker, Sir, we get some funds from those houses. I am going to find out how much money we are getting from those houses.

(Hon. Ruhii and hon. Kirior remained on their feet)

Mr. Speaker: Order! Order! One of you has to sit down.

Mr. Kirior: As regards those who have benefited from that Fund, I remember in 1993 I tabled a list of those who have benefited from it from all the districts in Kenya. That issue was raised under Question 620 in 1993 and had been asked by hon. Ruhii. It is the same Question. Maybe hon. Ndicho is asking about how many people have benefited from the Fund since 1994 to date. I would like to say that I do not have the list, but if he wants it I can get it.

Mr. Speaker: Final question, hon. Ruhii.

Mr. Ruhii: Mr. Speaker, Sir, the Assistant Minister has got a handicap in answering this Question because he does not administer this Fund. The Fund is administered by the President's Office. That is why he has got a problem in answering my Question. What I want to know and this is a follow up from the hon. Ndicho's question is how many disabled individuals and institutions have benefited so far from this Fund.

Mr. Speaker: That is a different question.

Mr. Ruhii: And in any case in 1993 they did not give me anything at all.

Mr. Speaker: Next Question, Rev. Ommani.

Question No. 226

REPAIRS TO AMBULANCES

Rev. Ommani asked the Minister for Health whether he is aware that the ambulances supposed to serve in health centres within Kakamega District are broken down and lying somewhere within the District.

The Minister for Health (Mr. Angatia):

Mr. Speaker, Sir, I am sorry for coming late after the Question had been asked the first time, but I am pleased to be able to answer it.

I am aware that six ambulances in Kakamega District are broken down. There are currently nine health centres in Kakamega District which have got functional vehicles and I have asked that those vehicles assist health centres where there are no vehicles. As soon as funds become available, we shall repair some of the vehicles which are in a condition to be repaired. There are a few which are beyond repair and we may not repair them.

Again if funds become available, as we have requested in the Budget, we are hoping that we will be able to provide all those institutions that are supposed to have vehicles with vehicles.

Mr. Ogur: Mr. Speaker, Sir, how does an ambulance given to a health centre in Kakamega to serve a certain population fail to serve the people for whom it was provided for by the Ministry only to do so somewhere else? How does it happen? What schedule is followed and who does that? Is that not misleading the House? He knows it is not possible. The Minister did not reply to the question.

Mr. Angatia: Mr. Speaker, Sir, he would not know because he is not in the Ministry, but I know and I know how those vehicles help.

Mr. Ogur: On a point of order, Mr Speaker, Sir. If you have a health centre at one end of Kakamega District with a high population and problems of illness of different nature coming up every night, day and at lunchtime, how does that ambulance at one time leave a place only to go and attend to another problem at the other end of Kakamega District. I am talking about reality. Kakamega's population is high and given the state of bad roads there, the Minister knows that what he is telling us is not true. How do you do it? What schedule do you have? He did not reply to the question.

Mr. Angatia: Mr. Speaker, Sir, since the hon. Member seems to know Kakamega very well, if a vehicle is at Navakholo it can assist a patient at Malava and can assist patients at Makunga and all these patients can be brought to Kakamega Provincial Hospital. So, if you pick up a patient at Navakholo and you are on telephone with Malava and they say that they also have a patient you just go and pick him up and get on the highway and run to Kakamega and you deliver both patients.

Rev. Ommani: Mr. Speaker, Sir, this is a very important Question because it deals with the lives of people. Just a week ago a woman died in my own vehicle while she was being taken to Kakamega Provincial Hospital because there was lack of a vehicle to take her from Bukura Health Centre to Kakamega Provincial Hospital. Would the Minister be clear and tell us which health centres have the six ambulances that have broken down and the nine health centres that have ambulances and vehicles that are in serviceable condition.

Mr. Angatia: Mr. Speaker, Sir, it is a pity because Bukura is not too far away from Butere or Kakamega. I am grateful that the hon. Member assisted the patient and saved her life.

Dr. Lwali-Oyondi: On a point of order, Mr. Speaker, Sir. How can the Minister begin misleading the House by saying that the hon. Member saved the life of that lady when actually the lady died?

Mr. Speaker: Order! Order! You better be serious next time. I think you are unnecessarily---

Dr. Lwali-Oyondi: He said it.

Mr. Speaker: Order! You are unnecessarily interfering with the flow of the debate. Can you let him finish. Proceed.

Mr. Shikuku: On a point of order, Mr. Speaker, Sir. I heard the hon. Questioner stating very clearly that he assisted a certain patient whom he wanted to take to Kakamega General Hospital. Because of lack of an ambulance he used his car or turned his car into an ambulance and in the process the woman died in his car. So is it in order for the hon. Minister to thank the hon. Member for trying to save the life of that patient when the hon. Member is saying that the woman died?

Mr. Angatia: Mr. Speaker, Sir, the vehicles we have in these health centres are not purpose-made ambulance, but dual-purpose vehicles. They could be vehicles the size of hon. Member's vehicle in which case a patient, if he is going to pass away will do so whether in a purpose-based ambulance or in any vehicle and I think I am in order to thank the hon. Member for attempting to assist. Even if it had been a Government pick-up, it would still have had the same problem.

He did request to know which health centres have got ambulances and I want to tell him that these are Mabusi, Mautuma, Shamakhubu, Manyala, Butere, Matungu, Navakholo, Malava and one at the district headquarters.

Mr. Wawire: Mr. Speaker, Sir, I happen to come from Kakamega and I also happen to come near that health centre that the Minister mentioned; Mautuma. It is indeed true that the Ministry made available a vehicle to that health centre, but that vehicle is hardly there. I am making a follow-up on what hon. Ogur said. That vehicle is always out of that station. It is only brought back when it needs maintenance and that vehicle is usually maintained by the people of Lugari.

An hon. Member: What is your question?

Mr. Wawire: Mr. Speaker, Sir, can the Minister undertake to repair all ambulances in Kakamega District and, therefore, minimize the pressure on the vehicle from Mautuma Health Centre?

Mr. Angatia: Mr. Speaker, Sir, I have already said that we are going to repair all the vehicles which have broken down so that they can be put them back to use in their health centres. But the vehicle at Mautuma sometimes serves Lumakanda Health Centre or Likuyani Health Centre. So, if it is not at Mautuma Health Centre it may be at Lumakanda or Likuyani Health Centre. Furthermore, occasionally, it needs servicing and sometimes it happens to have gone for service.

Prof. Ouma: Mr. Speaker, Sir, we have a recurrent question of ambulances breaking down. The rate of deaths in this country is alarming all over and one of the contributory factors to them is lack of means of conveying people to places of treatment. Let us stop this hop-step-and-jump approach which the Minister always gives us. "When funds will be available" is a tailor-made answer. Can the Minister tell the House whether he has a global approach that will enable this House not to ask that Question again? Every hospital and health centre should have a programme of ensuring that vehicles and ambulances will work. We are tired of this same Question and same answer every time when people are dying! Does he have a global approach to the issue or shall we go on asking the Question up to the end of time?

Mr. Angatia: Mr. Speaker, Sir, there is no way we will stop hon. Members from asking Questions about ambulances. So, even if we put two ambulances at every health centre there will still be Questions on ambulances and this will be in order. It is true that we still lose lives of people, but we are not losing them because of lack of ambulances. We know where the problem is greatest and that is where we put money first. Members of the Opposition themselves know how much campaign they have done to ensure that we do not get donor funds. I dare say that they would even be wishing that the Ebola virus comes to this country when we are working very hard to ensure that it does not.

Mr. Shikuku: Mr. Speaker, Sir, is the Minister aware that his utterance here in the House that hon. Members of the Opposition may be wishing that the Ebola virus comes to this country is itself a very distractive issue? Let him confine himself to Kakamega District and leave the Ebola virus alone. Is he aware that he has told the House that there is an ambulance at Manyala Health Centre when that ambulance is not even moving? I come from Manyala Sub-location and know that no ambulance is working there. The Minister has told the House that the ambulances for Manyala and Butere are working, but the one for Manyala is not working!

Mr. Angatia: Mr. Speaker, Sir, on the contrary it is the ambulance at Butere which has been grounded; but

the one at Manyala, GK R758, is in a fair condition and is working. The reason why I made a remark earlier on against the hon. Members of the Opposition is because their attitude has been to discourage people who have assisted my Ministry in acquiring vehicles in the past. Now we have not acquired vehicles for the last 10 years because of some of the agitation that has come from the Opposition side. Therefore, when they get the results of their agitation they ought to accept them.

Prof. Ouma: On a point of order, Mr. Speaker, Sir. The Minister is deliberately misleading this House by saying that for the last 10 years they have not received any new donations because of the Opposition. May I remind him that the Opposition came in only three years ago? Where were we 10 years ago? Can he answer this instead of misleading us?

Mr. Angatia: Mr. Speaker, Sir, I only referred to non-acquisition of ambulances for the last 10 years, but I did not say the Opposition have been agitating for the last 10 years.

Mr. Speaker: Mr. Michuki's Question for the second time

Question No. 116

ALL-WEATHER STANDARD FOR ROADS

Mr. Karengi: Mr. Speaker, Sir, on behalf of Mr. Michuki, could I ask that this Question be deferred until next time?

Mr. Speaker: Very well; I will oblige and defer it to next week.

(Question deferred)

Mr. Anyona: On a point of Mr. Speaker, Sir. Although I came in a bit late, I wish to ask my Question No. 208.

Question No.208

SACKING OF MR. RORI

Mr. Speaker: Well, Mr. Anyona, I obliged this morning to your request on the Motion and I thought a similar fashion should happen to the Question. So, I deferred it.

(Question deferred)

Mr. Anyona: Okay; thank you, Sir.

POINT OF ORDER

INSECURITY IN THE COUNTRY

Mr. Sankori: On a point of order, Mr. Speaker, Sir. I would kindly request if the Office of the President could give a Ministerial Statement in connection with the security of this country. Just before we went for our last recess, I brought up a Motion in connection with February Eighteenth Movement Resistance Army (FERA) activities in this country, which the whole House passed without any opposition. Of late, we have seen a lot of bank robberies and shooting of police officers, especially officers of the Criminal Investigations Department. This shows clearly that FERA members are in full gear in Kenya. I would like the Office of the President---

Mr. Speaker: Order, hon. Sankori! When you want to request a Minister to make a Ministerial Statement relating to an issue falling within his or her docket you are not allowed to suggest what course he will take. Either you ask for a Ministerial Statement or, if you want to express your own opinion, seek for the necessary forum, which is not right now; maybe when we will be debating the next Motion.

Mr. Sankori: Mr. Speaker, Sir, in that case I ask for a Ministerial Statement in connection with the security of this country.

Mr. Speaker: Any response from the Office of the President?

The Assistant Minister, Office of the President (Mr. Sunkuli): Mr. Speaker, Sir, I am not ready to give a

Ministerial Statement now, but tomorrow, I will give a Ministerial Statement on the bank robberies.

Mr. Speaker: Very well; next Order.

BILL

(First Reading)

THE ARBITRATION BILL

*(Order for First Reading read - Read the First Time -
ordered to be read the Second Time Tomorrow)*

MOTION

ADOPTION OF PIC REPORT

Prof. Anyang-Nyong'o: Mr. Speaker, Sir, I beg to move the following Motion:-

THAT, this House adopts the Report of the Public Investments Committee on the Accounts of State Corporations, which was laid on the Table of the House on 20th April, 1995.

Hon. Members will have had time during the last recess and before to go through the Public Investments Committee's Fifth Report that was laid before the House. The Report, for the first time, includes an executive summary, which is a quick overview of the issues we discussed during our hearings, including a report of the meeting we had with the "big five", who are the Attorney-General, the Permanent Secretary, Ministry of Finance, the Head of the Public Service, the Director of Personnel Management and the Controller and Auditor-General.

Mr. Speaker, Sir, we had several Sittings and we are grateful to those officers of the Government, particularly from the Treasury, who helped the Committee go through this mammoth task. We are also very grateful to the office of the Auditor-General, Corporations, for the tireless work they did to ensure that the State corporations whose accounts we were looking into were thoroughly discussed. I would also like to thank the staff of the National Assembly who acted as the secretariat for this Committee. I would like to appeal to the Clerk of the National Assembly to ensure that, this time, our recommendation that the staff of the National Assembly, like their counterparts in the Treasury and other Government departments, are properly remunerated for their services--

Mr. Speaker: Order! By the way, Prof. Anyang' Nyong'o, having looked at the law that establishes your Committee and the powers it gives, under what power did you make that recommendation? I am just suggesting that you abide by the provisions of the Powers and Privileges Act. Proceed, nevertheless.

Prof. Anyang'-Nyong'o: Mr. Speaker, Sir, I guess, that is a point that we discussed with the "Big Five".

Mr. Speaker: Order! What I am saying is this: It is perfectly in order for hon. Members to wish well members of staff, just as I do. However, what I am saying is: It does not help them or us if we make recommendations which we are not lawfully empowered. It is probably going contrary to what we would all of us like to do. You and I would like to take care of our staff, but when you stand on the Floor of the House and put it on record, it does portray, as a matter of fact, under the Act, that your Committee had the power to make that recommendation. That is what I am saying. You, probably, will tell us whether it is true.

Prof. Anyang-Nyong'o: Mr. Speaker, Sir, that recommendation was made last year and a whole year has passed. So, I would think under the law, we are within our powers.

I will today give an overview of the Report and I do hope that my seconder, the hon. Gacuru wa Kareng'e, will go further to give some details of the Report. The first thing that we need to notice is that this Report, particularly, the Fifth Report of the Public Investments Committee must be read within the context in which it has been made. It must be read within the political and economic context in which this Committee sat, received evidence and made recommendations. The presentation of this Report comes at a time when this country is going through a profound crisis. This is a crisis that the Government has tried to ignore or coverup and, at times, blame on others without much success. This is a crisis that requires a strong national resolve to overcome. It requires leadership with vision, not intimidation. It requires self-sacrifice on the part of all leaders and not arrogance and a show of force.

The crisis I am talking about is the crisis of national identity and a drastic loss of faith on the part of the people of Kenya in both the public service and the Government. This crisis expresses itself in two ways; one, the loss of credibility for public institutions, none of which works any more as they used to do in the by-gone days. Corruption is rampant in the law courts. There is a complete breakdown of the public health system, as Minister Angatia will testify. There is a virtual collapse of the public education system and hence, the Kenyan bourgeoisie takes their children to

school abroad, from kindergarten to university. There is a thorough deterioration in the physical infrastructure, as Minister Dalmas Otieno will testify. So, we can itemize a plethora of disasters in our nation, leading to a deep crisis of credibility of the Government.

Mr. Speaker, Sir, secondly, this crisis expresses itself in terms of a lack of legitimacy on the part of the Government. This lack of legitimacy has a profound effect on the public sector for which my Committee was responsible during the Fifth Report. This lack of legitimacy is expressed by the fact that this Government has decided to go back on promises for Constitutional reform; reforms that were meant to put this nation on a healthier pedestal of political consensus.

Mr. Speaker: By the way, Prof. Anyang'-Nyong'o, I have been listening to you for the last three or four minutes. Is that really part of the Report of the Public Investments Committee, or is it something irrelevant to the Report?

Prof. Anyang-Nyong'o: Mr. Speaker, Sir, I said that I would like to present this Report in the political and economic context in which it is relevant. I do not want to speak out of context.

QUORUM

Dr. Otieno-Kopiyo: On a point of order, Mr. Speaker, Sir. I do not know whether the House has a quorum.

Mr. Speaker: I am sorry, I understand we do not have a quorum. Can you ring the Division Bell?

(The Division Bell was rung)

Mr. Speaker: Order! We now have a quorum. Proceed, Prof. Anyang-Nyong'o.

Prof. Anyang-Nyong'o: Thank you, Mr. Speaker, Sir.

One of the reasons why I think it is important to understand the political context is because public investment, whether you are talking about Kenya Railways Corporation, Kenya Airways, the National Social Security Fund and so on, all these aspects of public investments are affected by good or bad governance. Unless that Government direction gives a clear path along which the public sector is going to perform, then we can write hundreds and hundreds of such reports and they will be of no consequence to the development of this nation.

Mr. Speaker, Sir, in an atmosphere where, indeed, we have both a crisis of credibility in our public institutions and a crisis of legitimacy on the part of Government, it is very difficult to expect a report like this which makes far reaching recommendations in terms of reform in specific parastatals and in terms of management of those parastatals to have effect. What we need is a national consensus. Such a consensus could easily be created if we were to sign a national and social contract among ourselves to which we would all be party and committed in terms of cardinal issues of good governance.

Mr. Speaker, Sir, this is why in this nation today there is such an overwhelming demand for a national dialogue and a consensus for a new Constitution. We must all accept that Kenya has changed drastically over the last thirty years when the present Constitution was written. At Independence, we were very few people, but we must be now about four to five times the population we were at Independence. The kind of assumptions we needed about national development at Independence times have changed. For example, it was in the early sixties that most parastatals were created in this nation. The ICDC, the Kenya Industrial Estate, the National Banks *et cetera* were created with the assumption that the State would have the responsibility for investment and of course the kind of laws that we had could easily superintend that kind of involvement in the public sector. After thirty years it is necessary to review this assumption and find out whether in our constitutional context, the State Corporations should operate as they have operated over the last thirty years or whether we need a new constitutional context in which we can revise and define a new role for the public sector.

Mr. Speaker, Sir, in other words, we cannot involve ourselves in the reform of the public sector without at the same time being involved in the reform of the Constitution. If this were not so, then the Attorney-General could not have called for various task forces to look at various aspects of the law. It is precisely so because the Attorney General realised that these various aspects of the law needs to be revised and those task forces have not sat down in Nairobi and written new law. They have gone around the nation receiving evidence from the Kenyan people to find out how this new law can be written. It is in the same spirit that every ten years the Electoral Commission goes around this nation receiving evidence to find out how the electoral boundaries can be revised. Given that kind of experience, then we need to open ourselves to a national dialogue and receive evidence from all Kenyans in the spirit of revising our Constitution after thirty years of Independence.

Mr. Speaker, Sir, the questions we need to ask ourselves are the following:-

1. Why is this Government afraid of the voice of the people? Why is this Government afraid of the changes

that Kenyans are demanding so that they can develop in freedom with social justice?

2.If the constitutional issue is so important, and indeed the Government has made us believe by various pronouncements, why should we not---

Mr. Speaker: Order again! Order Prof. Anyang-Nyong'o! As I had warned you earlier, I must also bring to your attention that, in fact, this very morning, if you looked or are in possession of today's morning Order Paper, you will see that there is waiting for discussion a Motion by hon. Anyona seeking to debate exactly what you are doing. That is the Motion which was Order No. 7 this morning, seeking the creation of the Constitutional Review Commission. The Motion was filed by the hon. Member for Kitutu Masaba, Mr. Anyona.

You know the rule. You cannot anticipate debate on a Motion whose notice has been given. With regard to this particular Motion, notice has not only been given, but it was slated for discussion this morning and was only deferred to next week. So, can you keep those views about the constitutional review up to the occasion when Mr. Anyona's Motion comes then you can fully deliberate on it. You will have the opportunity.

Pro. Anyang-Nyong'o: Thank you, Mr. Speaker, Sir. I will oblige and I will speak when the Motion by Mr. Anyona is tabled in the House.

Nonetheless, unless this Government takes that point out seriously that these things are going to be rituals. It is in that spirit of not wanting to engage in useless ritualism that I predicated the presentation of this Report with the importance of the necessary changes needed in this nation within the context of constitutional reform.

Mr. Speaker, Sir, because one of the key issues in this Report is the issue of privatisation and parastatal reform and because one of the key bones of contention between our Government and the people of Kenya and between our Government and its own financiers are the steps that are being taken rather abruptly in privatisation and parastatal reform that have laid emphasis in the political context. As this issue is very important, hon. Members of this House will recall that at Independence, all of us laid a lot of emphasis and we had a great deal of faith in the State as the engine of development. It is for that matter that public corporations were established and it is for that matter that by the beginning of last year, when we were doing our Report, receiving evidence we had more than two hundred parastatals. But it has been realised that rather than accelerate development, the public sector has bogged Africa down to under development. Although we started hundreds and hundreds of parastatals in the production sector, in agriculture, in the financial sector and in the service sectors for both physical and social infrastructure, the performance has been disappointing. Mr. Speaker, Sir, although the state has continued to play its traditional role of running physical and social infrastructure, administration, defence, foreign relations and ceremonies, it is now felt that the state should withdraw from active engagement in the productive sector and confine itself in the traditional roles.

Mr. Speaker, Sir, even if the State were define itself in those traditional roles, if it is a State that is not democratic and that practices good governance, that traditional role will continue to muzzle and frustrate the private sector.

In this Report, Mr. Speaker, Sir, we have made substantial recommendations on how the parastatal reform and privatisation process should take place. This Fifth Report of PIC submits that our process of parastatal reform and privatisation has been flawed; it has been improper; it is corruptly executed. It is not Kenyan-friendly. It has not been carefully thought out. It was hurriedly put together to please the World Bank and IMF, but it has failed even in this unfortunate mission. It has led to plenty of loss of public resources; it continues to institutionalise corruption. Worse than that, it was left in the hands of the wrong men at the right time. Like everything else that this Government attempts to do, parastatal reform and privatisation process lack vision. It is unnecessarily shrouded in public secrecy. It is shielded from public scrutiny. The most tragic thing of all is that this privatisation and reform process lack the blessing of this House. I think it is the most important flaw in the reform process that our dear Government is involved in.

Mr. Speaker, Sir, when this Report is adopted by this House, we will urge the Government to prepare a Bill on parastatal reform and privatisation and bring it to this House for debate. I believe that Members of this House have a lot to say about the privatisation process to be undertaken. Members of this House have a lot to say about what role the public sector should continue to play in this country. I do not believe in handing over public assets lock, stock and barrel to individuals; especially when some of these individuals are sharks who have been looting this nation and are buying these public assets with ill-gotten wealth; especially when we are privatising only to entrench a foreign enclave in our nation and we are not taking of our indigenous entrepreneurs; especially when this Government has not put in place a system of credit and financial support that will bolster and encourage Kenyans to buy what Kenyans have put in the Government in terms of the public sector over the last 30 years.

Mr. Speaker, Sir, let us ask ourselves very key questions: Why are we privatising? To whom are we privatising? To what extent should we privatise? How long should it take us to privatise certain concerns? What aspects of certain public enterprises are being privatised? Who should make decisions on privatisation? Why should be disqualified from the exercise? What should be the role of the public in the privatisation of certain sectors of the

economy? In this process of privatisation, the indigenous farmer, the indigenous business person and indigenous institutions in Kenya have been grossly disadvantaged. It is we Kenyans who have paid taxes to the Government to establish public corporations for the last 30 years hence it is we Kenyans who should find the opportunity to buy public assets and run them well when we are privatising.

I am not saying that we should condone inefficiency when Kenyans take over public assets, but we should encourage efficiency by ensuring that indigenous persons are not disadvantaged unnecessarily; in a context in which it is they who have put in money for that 30 years to make these public corporations exist.

Mr. Speaker, Sir, you will remember that the issue of pre-emptive rights was debated in this House when Firestone was selling the shares of the ICDC and it became an extremely contentious issue. We in the PIC have recommended to the Government that the issue of pre-emptive, even though it is a cardinal aspect of Company Law in capitalist development, it should be viewed in the context in our own level and stretch of capitalist development. We should not bow to the law of pre-emptive rights as if it is God-given; laws are made by men and by men shall they be changed.

Mr. Speaker, Sir, we have not also forgotten the issue of Kenya Airways which I read in the *Economic Review* that the Government is going ahead to underwrite and underscore that loan and debt. I hope that this House will find an appropriate moment during the debate on this Report to raise such issues and let the Government come out open, clear and explain why it is trying to circumvent the powers of this august Assembly.

Mr. Speaker, Sir, I would now like to touch on the issue of corruption in the process of privatisation; an issue that this Report has dwelt on extensively. I have in mind, for example, the case of the Milling Corporation of Kenya. I have at hand a report that was Tabled in this House, a special report by the Auditor-General (Corporations), on the sale of the Milling Corporation of Kenya Limited. Every Member of this House has this report and I would appeal to the Members of this House to read this report very carefully so as to appreciate the importance I am laying on how corruption is undermining the parastatal reform and privatisation process in Kenya. It also illustrates the point that I was making earlier; that unless we take the political context in consideration and unless we strengthen certain institutions of Government that interact and affect the public sector in this process of privatisation, we can write hundreds and hundreds of these reports and they will end up being mere rituals as the words of the Auditor-General (Corporations) indicate in this Report; "that although the Auditor-General (Corporations) made recommendations to the Government and although the PIC requested for a special audit and it was done and presented to this House, the individual concerned went scot-free and he was even rewarded by this Government by being given even more substantial responsibility in the public sector which was a subject to a Question in this House today. The Milling Corporation of Kenya Privatisation is a typical, but notorious example of how flawed our process of privatisation has been. The findings of the special audit were the following:

1. That the sale of the Corporation was irregular.
2. That this irregularity led to tremendous loss of funds to the Exchequer. The Mill was conservatively valued at Kshs.550 million, but was sold to Premier Flour Mills of Nakuru for Kshs.150 million while the highest bidder, Kitale Industries which offered even better terms of absorbing debts and so on was turned down at Kshs.195 million.
3. Premier Flour Mills took possession of the Mills without paying for it, and made money from a public asset so as to buy the same with the money so realised.

Mr. Speaker, Sir, we of the Public Investments Committee (PIC) would like the Government to enlighten the nation that following the recommendations of the Auditor-General Corporations, that the Privatisation of the Milling Corporation of Kenya to Premier Flour Mills be cancelled and that it be readvertised, and that the Exchequer should get the worth of its money and that recommendation be implemented. That would make it very important, but indeed the work of the Auditor-General (Corporations) is important and, indeed, other things that are recommended in the 5th Report PIC should be taken seriously. If that is not done, the Government does not offer a better explanation as to why the recommendation of the Auditor-General (Corporations) cannot be implemented. Then indeed, the country will continue to lose faith in the ability of the Government to privatise in public interest rather than in the interests of certain special interest groups.

Mr. Speaker, Sir, the Report also made certain observations. With regard to the Executive Secretariat and Technical Unit of the Parastatal Reform Programme, this is a unit that was created by the Government to superintend the privatisation and reform exercise. Among other things, the Auditor-General (Corporations) wanted clarification on whom the Executive Secretariat and Technical Unit was answerable to, and so did we, because this body seems to operate in a world of its own. Further, the Executive Secretariat and Technical Unit does not seem to have any legal basis, yet it yields substantial powers. That is one of the reasons why we have recommended that a Bill be prepared and presented to this House on Privatisation and Reform so that this Parliament would be in a position to recommend exactly what legal framework should be adopted in the privatisation exercise.

Mr. Speaker, Sir, if I go to another aspect of the public sector, that is the problem or issue of management of the public sector, and the consequences of mismanagement in the public sector. One of the major reasons why it is now felt that privatisation is urgent and important is because over time, the public sector has been mismanaged, hence previous Reports have come up with reports to the extent that fixed assets are not properly maintained, that too much money is kept in Suspense Accounts, that there are revision of contracts or verifications and so on, without proper approval by the Boards. Also parastatals do not meet regularly, or that Chief Executives take advantage of their position and use public resources to build themselves houses and then not pay for them, or that in the case of the Kenya Tea Zones, a whole forest is cleared, trees sold and money not rendered to the Government. In the case of certain areas, schools fees are received by public officials and not rendered back to the Ministry, or in the case of the University

Students Accommodation Boards (USAB), over seven or eight years, no proper audit was done on the accounts, and then lots of money is lost and it cannot be recovered. A series of such incidences have led us to observe that the issue of proper management in the public sector must be looked into, and mismanagement which leads to tremendous loss of public funds or to corruption should be addressed, and that where evidence of corruption exists or misappropriation exist, the Attorney-General should take the appropriate action. We were not shy to name persons who have been involved in this kind of thing because we believe that institutions are run by people, and that when one is a Chief Executive of a parastatal, he must take the responsibility for both the good deeds and the bad deeds that are done in that public Corporation. So, when we give the example of the Milling Corporation of Kenya, it is because it is from this public Corporation that the Chief Executive of the Executive Secretariat and Technical Unit of the Parastatal Reform Programme went for training in the public sector and left there without very good colours. We did find out that the Chief Executive, Mr. Lawi Kiplagat, owed the Milling Corporation of Kenya Kshs.1.5 million since 1985, and that the previous Fourth Report of the PIC had requested the Attorney-General to follow up the issue and nothing has been done. So, our report reiterated our concern for that kind of behaviour.

Mr. Speaker, Sir, we also looked at the National Social Security Fund (NSSF) which is a very important public institution because it handles a lot of money of the workers, and that this money received should be properly invested so that once one contributes to NSSF he will really have security in life. From the NSSF there should be a mortgage scheme for workers. People should be able to get school fees for their children. They should be able to retire and be taken care of for ever. In places like Singapore, their equivalent of NSSF is a real granary for workers. Here, it has become an albatross around the neck of workers. Its own investment portfolio is not really attractive. What was of grave concern to the Committee was for example, the extent to which this very important Corporation has put too much money in a Suspense Account. The NSSF placed a staggering Kshs.6 billion in a Suspense Account mainly due to a failure to reconcile contributions made by members to the Fund. This is a management issue, and these days when we have computer programmes and so on, really, it is not fair to punish contributors by putting their money in a Suspense Account and then it is so big. The Committee feels that this problem should be quickly resolved so that contribution by members should be properly accounted for so that when one retires it does not take him four or five years boarding trains and matatus coming to Nairobi to NSSF finding out whether you are going to get your retirement benefits and so on. In the days of the computer, we need to have much more efficient management systems in our public sector. We know that the NSSF is going to handle very substantial public funds and it is also going to be of tremendous interest to those who are employed and contribute. Hence we must be extremely thorough in the manner in which it is managed.

Further, Mr. Speaker, Sir, although the Committee appreciates the completion of the NSSF building because it is going to offer a lot of office space not just to the Government, but also to the private sector and the Fund will get substantial income from the building, the Committee deeply abhors the manner in which the whole construction was managed, leading to substantial loss of public funds. For example, the acceleration fee paid to M/S Mugoya Contractors amounting to KSh.117.8 million was not warranted under the circumstances, especially when the NSSF management acted as if it was ignorant of an agreement it had signed with M/S Mugoya Contractors.

In this regard, Sir, the Committee has recommended that the Attorney-General takes legal steps to recover this money from the then Chief Executive or Executives, Messrs. Philip Mulei, Martin Kunguru and the whole Board of Trustees which was looking after the Fund then. Unless these concrete steps are taken, public officials will not realise the gravity of mismanaging public resources and making the people of Kenya, as well as the Exchequer of this Government, suffer.

Mr. Speaker, Sir, another example in these series of mismanagement and in our concern to ensure that when such things are identified by the Auditor-General (Corporations) discussed by the Committee and presented to this House, that it is the responsibility of the Government to take appropriate steps to address them. Let me emphasise that it is not the interest of the Public Investment Committee (PIC) to witch-hunt; it is not in our mission to find fault with anybody. Our responsibility as a Committee of this Parliament is to receive evidence from the Auditor-General

(Corporation) and also from those whose accounts have been audited and make recommendations based on the facts that we have received.

We, as a Committee, do not in any way depend on hearsay, rumours, or innuendoes. When the KPTC, for example, on the recommendation of the then Managing Director, my dear friend, Kipng'eno arap Ng'eny, decided to pay a certain Mr. Paul Ndarwa who had then just retired as the Chief Architect of the Corporation a staggering sum of Kshs94 million consultancy fee for supervising the construction of their Headquarters. The Committee thought that this was a clear case of what in my own lay language I could call "*prima facie* evidence of theft by servant". Because, definitely, you cannot just retire as a Chief Architect of a Corporation and given the facts that you are advantaged to know what is going on, then you hire this fellow for this staggering sum of money as a consultant, I think this is rather taking the Kenyan public for a ride. Mr. Speaker, Sir, we thought that this is a case that the Attorney-General should investigate and find out whether it was warranted (a) for the KPTC to have an extra supervisor for that building and (b) that Kshs94 million was really worth the consultancy fee for this civil servant; and (c) whether indeed Mr. Ndarwa could not have been given another two years' contract to do the job, maybe at Kshs2 million, on the higher side. Some of these things need to be investigated and I think we should be fair to Kenyans. There must be reasonable equity in paying for professional services and also to ensure that we do not use public offices to rather grossly and unfairly reward ourselves to the detriment of the taxpayer.

Another issue, Mr. Speaker, Sir, that the report has dealt on to some extent is the case of Nzoia Sugar Company which is going to live in the history of these reports as the "mother of all thoroughly mismanaged public corporations in the 1990s". Our report shows that attempts that were made to rehabilitate Nzoia Sugar Factory so as to ensure that it manufactures more sugar for our home market and hence provide a growing market for cane farmers, that good intention to rehabilitate and expand Nzoia Sugar Factory became very sour. We, as Kenyans, have ended not only failing to rehabilitate Nzoia Sugar Factory and expand it, but also being grossly in debt, burdened with a court case in Paris to arbitrate between Nzoia Sugar Company and the so-called Arkel International. We are likely to lose millions of dollars worth of equipment that was ordered for the rehabilitation exercise. But the equipment which is lying on the compound of Nzoia Sugar Company might be time-barred because technology changes very fast. By the time we think of installing it, it will be highly uncompetitive in the world market.

Mr. Speaker, Sir, Arkel International, for the information of the House, is an American firm with which agreements were signed between Nzoia and themselves to carry out what was called phases one and two of the expansion programme. But eventually, Arkel International abandoned the project due to Nzoia's mismanagement. Now, after looking into the "pure facts" - my dear colleague Dr. Otieno-Kopiyo will bear me on this - that the Committee is convinced that the Nzoia issue is "much bigger than meets the eye". The Treasury, the parent Ministry of Agriculture, Livestock Development and Marketing, which is now presided over by my dear friend, Simeon Nyachae, son of Nyandusi, and Nzoia management are all responsible for this mess. International agreements were not properly arrived at and the Treasury should have taken care of that. On-lending agreements between the Treasury and Nzoia Sugar Company were "pushed" and hence the Treasury ended up complaining day in day out that Nzoia had liquidity problems and hence could not service its loans over the decades imposing tremendous burden to the taxpayers and compelling the Treasury to service Nzoia's foreign debts.

The Treasury, like Atlas, has a weight over its shoulders of servicing all kinds of debts owed by parastatals since these parastatals are loss making.

Mr. Speaker, Sir, this issue of unsigned on-lending agreement is not just a legal simple matter. It is a deeper matter of management and contractual obligations in the management of public resources. So, this Report recommends to the Government that where on-lending agreements have not been signed they be designed expeditiously and that the parastatals responsible service their loans even in retrospect. The Kenyan taxpayer cannot afford to subsidize and service corruption and mismanagement. If the Kenyan taxpayer is going to do that we are not going to have domestic savings which will be the basis of domestic capital formation and funds for development for our nation. When donors talk of good governance it pains me. It is we Kenyans who should first and foremost talk of good government. We should not go to Paris to parade ourselves before foreigners. These people like talking about foreigners and recite to them what we have done about good governance for the last six months so that they can give us more money. We should realise that we should be well governed so that our people can save and we can have our own autonomous domestic capital formation for autonomous development of Africa, but of course most of these people have been brought up under the wings of state support. You know, if a child breastfeeds for too long, that child will continue breastfeeding until he begins looking after goats. So when they come back in the evening they have to bite the breast with all those teeth. It is not good for the mother. This is what has happened to this Government. It has breastfed for too long and it is now biting the breast that feeds it with too many teeth. That is why donors are complaining. You know it because in a few weeks time they will go to Paris and sit there with donors to bite that breast. This should stop.

[Mr. Speaker left the Chair]

*[The Temporary Deputy Speaker
(Dr. Sagini) took the Chair]*

Mr. Temporary Deputy Speaker, Sir, we in the Committee visited Nzoia. It was really shameful to find equipment worth over US\$ 60 million which had been sitting there for four or five years unused. Imagine that capital unused for five years. How unproductive that is! This is how we really underdevelop ourselves because you get that amount of capital and you make it sit somewhere there not earning you any monies. This is not very good governance. This is the worst example of bad governance. Our Committee felt very strongly that the Nzoia scam should be thoroughly investigated and all those responsible for the mess brought to book. We have, therefore, recommended that an inter-Ministerial committee be established to investigate the management of funds during phases I and II of the Factory Rehabilitation Programme under the terms of reference, that we have specified in pages 28 to 29 of the executive summary of the Report. For the benefit of my dear friend, Dr. Elon Wameyo, who was my teacher at one time, and he was a very good teacher, I would like to read the terms of reference.

First, this inter-Ministerial committee, which will include the representative of the Office of the President, the Ministry of Agriculture, Livestock Development and Marketing, Ministry for Finance, the Kenya Sugar Authority, Office of the Attorney-General, Auditor-General (Corporations) and Office of the Director of Criminal Investigation Department, should submit its report to the Attorney-General by the 30th September, 1995. Once this Report is adopted we have given it the following terms of reference:-

- (1) To investigate the tendering system of the rehabilitation and expansion programme.
- (2) To look into the visibility study of the project and linkage between consultant and contractor.
- (3) To investigate events leading to the abandonment of the projects by Arkel International of United States of America.
- (4) Suggest ways of completing the rehabilitation and expansion programme from producing 3000 tons per day to 7000 tons per day.
- (5) Look into ways of increased sugarcane development as raw material to cope with the expanded capacity of the factory.
- (6) Investigate delays in payment to farmers and how to solve the matter in line with contractual undertakings.
- (7) Suggest ways of restructuring the financial position of the company particularly in regard to the loans portfolio.
- (8) Investigate the financial mismanagement of the company with a view of instituting immediate prosecution and recovery of the money. This is particularly in relation to phase I and II of Factory Rehabilitation and Expansion Programme.
- (9) Investigate the contract variation price of US\$ 8,72,400 and Kshs. 18 million which was done without Board of Directors approval.
- (10) Look into any other matters that might have caused financial and administration problems facing Nzoia Sugar Company.

We hope that given such clear terms of reference this inter-ministerial committee will finally make Kenyans know what happens to Nzoia and chart a clear path along which that Rehabilitation Programme can be completed, so that farmers can get a friendly factory to deliver their cane to, and so that Kenyans can have a factory that will efficiently supply the home market with the sugar. So that my dear friend, Simeon Nyachae, will no longer have to face this Parliament answering questions why Kenya is importing sugar when it has the capacity to produce enough sugar for domestic consumption and sufficient for export. Nzoia is a clear case where the worst results of a turn-key project can be seen and where Mr. Charles Mbindyo, the then Permanent Secretary, Ministry of Finance, committed a grievous error by signing a contract of that magnitude without inviting open tenders.

The construction of the Eldoret International Airport may soon prove to be another Nzoia. Kenyans would like to be given the opportunity to know what was recommended by the feasibility study done by a French firm before the construction of this potential white elephant was started. From what we know, this French consultant was doubtful about the viability of the Eldoret Airport project given the internal rate of return once this airport was operational.

Mr. Temporary Deputy Speaker, Sir, from an earlier Question that was asked by hon. Omino to a Minister on the other side of the House it appeared to us that the issue of the internal rate of return is not very significant in the investment thinking of the Government. This will lead us to many white elephants. This is because unless you think of what the internal rate of return is to be on an investment obviously you are starting on a very bad footing. The French consultant asked a very valid question: Is this airport worth constructing given the international rate of return

that is envisaged once it is operational? I do not think that, that question was given a lot of attention by the other side of the House; but I think that it should be reviewed before we move too far.

Further, even if this airport were to be built the French consultant felt that it should be done in phases. I think the Managing Director of the Kenya Airports Authority (KAA) is the right person to enlighten Kenyans about further information on the Eldoret Airport affair. I, myself would not like, either on behalf of my Committee or myself, to assume that this project is totally unviable. But, in order to believe otherwise, Kenyans deserve to see this consultancy report, particularly this House needs to receive this report so that we debate with facts and figures before us. But from the facts we know we are on the road to building another Nzoia Sugar Factory phases one and two in the name of the Eldoret International Airport.

The Government has so far offered very contradictory statements on this matter. On the one hand it is argued that the project is fully funded by the Government to the tune of Kshs4.5 billion. Sometimes it is said that this money was realised through foreign exchange fluctuations, whose proceeds were saved somewhere and then it was decided to use them to build an airport. It is further said that given this amount of money construction of the airport will be completed in two years' time. On the other hand we hear that this airport is being supported by an external loan given under the auspices of a Canadian company, which is undertaking the construction work, at a fantastic non-variable interest rate of three per cent per annum. If this kind of interest rate is available somewhere I would plead with the Government to grab it and use it to rehabilitate our roads first. This is because it is cheap and we should use it const-effectively.

I am just wondering why, following the Peter Wambura Report of 1993, which discussed Government projects and recommended that Kisumu, Eldoret and Malindi should be developed as regional airports the Government decided to ignore that very well done report, which prioritised various public investments and gave recommendations on how they should be implemented. Why was that report put in the coolers and something done very much contrary to its recommendations? To me it looks as if the Peter Wambura Report is yet another ritual that we are engaged in; a ritual that we of the Fifth Report of the Public Investments Committee would not like to participate in. We would like to see such reports being taken seriously by the Government, especially when they are commissioned by the Government itself.

If they are not recommending and implementing their own reports, then Kenyans are entitled to know why such very well thought out reports are ignored while other things, which are hurriedly cooked up in the background, become much more important to the investment policy of our Government. What is going on at Eldoret shows that the Government does not respect its own prioritisation of public investments; hence Vice-President and Minister for Planning and National Development, Prof. Saitoti, was not even sure of what was going on in Eldoret when he released the latest report in this ritualistic series. I believe other hon. Members will go into other aspects of what we have visited in terms of our concern with the management of public assets and that they will cover other issues that I have not touched on today.

Mr. Temporary Deputy Speaker, Sir, let me move on to another aspect of public investments which is extremely important, that is investments in the physical and social infrastructure. I think what we need to realise is that, however, much we privatise the Government will still continue to be deeply involved in developing and maintaining viable physical and social infrastructure in this nation. At the moment the social infrastructure, particularly health, has all, but broken down. Public hospitals have become grave yards rather than places where people go for extending their lives.

It is amazing that the Kenyan public health system is being viewed by some people outside this continent as a good example in Africa. But it is being viewed as a good example in a very narrow perspective. These people are looking at how much money the Government is putting in the public sector and how much debt is being reduced in the public health system. But what is much more important is to look at how many people are extending their lives by going to the public health system for medicine and hospitalisation and how many people cannot go to this system for health problems because of the new measures that rule them out of access to that system because they are poor. The public health system all over the world exists to address the problems of the poor and not the rich. So, when a public health system is keeping away from it such people, it cannot be looked at as a good example of public health. Today, the reason why we contend that the public health sector has totally but broken down, is because the kind of diseases that are killing people in the rural areas are the ones which we thought had been eradicated in this Republic or could be prevented. Take for example, dysentery. Every hon. Member in this House will testify, at least this is my experience in my constituency, that hundreds and hundreds of people are dying of dysentery everyday. In Luo, we say it is a disease called "stand up and let us go". This is because it comes to you in the evening and does not give you time to deal with it. Yet, it is known that this disease can be prevented very easily by good sanitary and water systems and primary health care. When these measures fail then there should be medicine in the local dispensary to deal with the disease. However sanitary systems have broken down, especially in towns like this one. Go to Mathare Valley and

you will find that houses are known by how far they are from a toilet. Somebody will direct you to his house as follows: "If you are coming to my house come to toilet No. 67. From there walk for 10 or 15 minutes and you will get my house on the left side". If 30 years after Independence we are identifying our homes by how far they are from a pit latrine in an urban area then you can know that the social infrastructure has all, but broken down.

Mr. Temporary Deputy Speaker, Sir, one of the reasons why the public health service has broken down is because of the misuse and mismanagement of the National Health Insurance Fund (NHIF). The NHIF, like its counterpart, the National Social Security Fund (NSSF), are two hubs of money collection in this country which collect so much funds, but do so little in comparison with those they have. We could go several miles if these two institutions were properly managed and if the resources they have at their disposal were properly invested. I was encouraged to read recently that, Minister Angatia was confirming that the NHIF was going to be restructured and reformed so that it could insure life properly and not be used as a source of subsidising people in the public or private sector. We know that the NHIF is currently subsidising private clinics and nursing homes because doctors and certain people who own these homes who are not even doctors submit bills to the NHIF of fictitious patients. This Government has never found it necessary to insist that, for you to have a nursing home or a private clinic, you must employ a qualified doctor and that, if that clinic or nursing home is found in a malpractice, that doctor will be struck off from the records of his profession. It is only when we have such strict and stringent rules that will we be able to properly reform and rehabilitate our public health system. Secondly, really, as its name suggests, the NHIF should insure. What is the point of somebody like me contributing to that Fund? I know I do not need it, but then, I know that my money is not used to insure the life of a poor person because, as I said, everywhere in the world, the public health system exists to ensure that the health of a poor person is insured, yet the health of poor people in this Republic today is not insured. So, we are dying in our thousands and thousands from simple preventable diseases.

Mr. Temporary Deputy Speaker, Sir, our Committee found that irregular award of contracts for drugs and dressings purchases is the source of the problem, right from the Central Tender Board (CTB) to the Board of Kenyatta National Hospital. One of the reasons why there is no medicine in the public health system is because the tendering system for purchasing medicine, as any Minister in this Government knows, is completely flawed. Good governance is the key issue here.

Mr. Temporary Deputy Speaker, Sir, earlier, you were reprimanding me not to speak regarding the political context in which we are involved, but

how are you going to deal with the issue of the irregular award of contracts in the public sector if you do not deal with it in the Government? How are you going to deal with that issue if the Government does not completely revolutionize its philosophy or its ideas about how to deal with people who misuse public offices for private gain?

How are you going to deal with that issue if a Minister can go to Paris to sign a contract on behalf of the Government and then, he leaves his Permanent Secretary on the sixth floor, goes to the twelfth floor, signs that contract without technical advice, comes down to the PS and hands him a document and says; "let us go back to Nairobi"? Is that not important when we are discussing good governance and when we are calling for limitation of powers and checks and balances so that, in that context, we can avoid issues like this? Unless the whole government machinery implements strict procedures for awarding tenders and purchasing equipment, drugs and other supplies at their market value, the public will continue to suffer and the State will continue to lose revenue.

Mr. Temporary Deputy Speaker, Sir, in the area of physical infrastructure, railways, roads, airports and ports are very important in our Republic. The Kenya Railways Corporation, for example, has been going down systematically over the past so many years. While charges for its services have gone up, the services themselves have deteriorated in both quality and effectiveness. Again, the issue of poor management of both human and monetary resources is cardinal here. We found out in the Kenya Railways Corporation that part of this mismanagement can lead to what we would call misadventures. For example, there was a misadventure in which the Kenya Railways Corporation was involved, in conjunction with the University of Nairobi, to produce what they called the Nyayo Car. This misadventure has led to a loss of over Kshs12 million and a tremendous waste of time and resources by the Kenya Railways Corporation. While the Kenya Railways Corporation could easily have developed the capacity to produce spare parts for our auto-mobile industry and farm implements, or even produce the farm implements themselves using their workshops, it took its time in this misadventure and, really, when management was bogged down by such misadventures, they did not have time to think of other more creative things to do.

Mr. Temporary Deputy Speaker, Sir, the Kenya Railways workshop here is, perhaps, one of the best in Africa. The only other workshop I know which could be better is the one in South Africa. Over the years, it has been boxed in and not allowed to use that potential to be one of the foundations for spare parts production in this country. This is one of the things that, in this reform process, we should look into. To what extent has our public sector developed the capacity of disenvolving itself to the private sector so that those accumulated resources and experience are used to climb up in the process of modernisation of our nation? Previous Reports have recommended the methods

of management and performance improvement in the Kenya Railways Corporation. Previous consultants, particularly the Overseas Development Assistance Group (ODAG) have made lengthy recommendations to the Kenya Railways Corporation on how it can improve the method of management and the performance of its staff so as to be more productive. However, these recommendations have, apparently, not been seriously implemented. The same goes for Kenya Ports Authority (KPA), which could easily be a leading foreign exchange earner for the Exchequer. It can only do this if two things are done: If it is properly managed and if it invests judiciously, but at the moment, two things hamper the productivity of the KPA. These are: One, corruption and, two, mismanagement. This, of course, means that it cannot look after its investments well. We know, for example that the KPA has now established two inland container depots in Nairobi and Kisumu and a third one is being constructed in Eldoret. This a laudable development. However, unless issues of management and accountability are ironed out, these depots are not going to attract the market they could attract. The private sector is very sensitive to inefficiency and mismanagement.

*[The Temporary Deputy Speaker,
Dr. Sagini, left the Chair]*

[Mr. Speaker resumed the Chair]

The private sector is very sensitive to mismanagement. And when you have a depot all the way in Kisumu or Eldoret and somebody knows that it can get his goods there through other ways other than relying on those internal depots, they will do so. So, in order to have a higher internal rate of return for these depots, really the management capacity of the Kenya Ports Authority has to improve and it has to eradicate any malpractice that are associated with corruption.

So far, the Authority has not had a very impressive record in investing wisely or managing its investments productively. The Committee was perturbed at the careless manner in which the Authority put good money after bad money in an investment like the Suli Suli African Cruise Limited adventure. Thereby losing KSh.6 million and really having a completely false start in what was originally lauded to be a tourist attraction, but really became a hoax. The Authority was really duped into this investment by a group of Italian businessmen, who then became very difficult to trace, so that they could account for what they had done.

Mr. Speaker, Sir, perhaps, one of the most important aspects of physical infrastructure is the generation and distribution of energy. Without a proper energy network, Kenya is not likely to develop fast into the 21st century. Without a proper energy policy, this country will continue to be under-developed. Rural electrification continue to be neglected as a result of lack of funds. This House has in the past voted money per district. I remember at one point, K£600,000 per district was voted and that was in the fiscal year 1992/93 to go towards rural electrification. This money was, to our knowledge, not disbursed from the Treasury to the Ministry of Energy, and hence the Kenya Power and Lighting's rural electrification programme came to a stand still. This hurts development in this country. Because unless those rural areas are electrified, *Jua Kali* is not going to expand into the countryside, small processing plants are not going to be established there and we are not going to de-congest the urban centres as people move to smaller towns in the rural areas to be employed there. There are all kinds of fall-out and backward linkages into the agricultural economy when a country has a proper rural electrification programme.

Mr. Speaker, Sir, we know that in developing the energy sector, there are all kinds of credit lines internationally and donor funds available. But these lines of credit and donor funds can only be accessible to this Government if it could ensure proper political and economic conditions for the investment of these monies. This is really what is hurting the energy sector. Resources have been withheld because of issues of governance. The Japanese, for example, were ready to fund the Sondu Miriu Project whereas the Danes were funding the rural electrification project and many more. The World Bank was ready to go into the energy sector, but we are much more efficient at pulling strings rather than doing the needful in the reform process, to ensure that an important area like energy is well invested into.

Mr. Speaker, Sir, at the moment, we are producing about 700 Megawatts of electricity. That is just enough for a small town in Europe. At our stage of development we need at least 1,000 megawatts and then we need to be adding 35 megawatts annually so as to keep pace with what we envisage as reasonable rate of economic growth.

Mr. Speaker, Sir, unless we attract investments into the energy sector and this is very heavy capital investment, unless we are able to arrive at good contractual obligation with those who invest, we are going to have retardation in the energy sector and we are going to suffer like Tanzania, which today produces only about 180 megawatts of electricity for a big nation like than one. And you find that towns are starved, investors cannot go in, even communication is hampered. At this point in time, we should be thinking of electrifying our railway system, using tramways in towns. All these depend on a modern, viable, well managed and well invested energy sector.

Mr. Speaker, Sir, the big effort that we made in the Turkwel Multi-purpose project was obviously over capitalised. It has been poorly managed and it has been very expensive to run. The Committee has attempted to make suggestions that will improve the management side of Turkwel. The Committee has also recommended to the Government that in the future we should not in any way be involved in such mis-adventures in terms of capital investment in the energy sector. Capital investment in the energy sector should be cost-effective, efficient and profit making. It should aim at ensuring that it is articulated with our needs and keeps ahead of the rate of growth of our nation.

Mr. Speaker, Sir, it has to be noted that when such projects are well conceived and when the Government obviously offers good terms, investors will come into this sector and they should come first, because the production and generation of power is critical in the public sector and for the national development of our nation.

Mr. Speaker, Sir, I do hope that as we debate this Report, and as my friend, hon. Karege seconds it, that hon. Members will look at other specific sections of it, which I should not go into, otherwise, I deprive this august House of the vast material that exists and which is available to every hon. Member, so that we can have a collective contribution to our ideas on how the public sector should be reformed and probably managed.

Mr. Speaker, Sir, with those remarks, I beg to move.

(Applause)

Mr. Speaker: Anybody to second?

Mr. Karege: Thank you, Mr. Speaker, Sir. I rise to second this Motion that the House adopts the 5th Report of the Public Investments Committee on the accounts of State Corporations 1994.

In doing that, I would like to go a little bit to the historic background of State Corporations and we such an able presentation by our Chairman, it is very hard to go through the same Report without the danger of repeating oneself.

Nevertheless, Mr. Speaker, Sir, if one looks at the historical development of the State Corporations in this country one begins to see why these State Corporations were established. The idea of establishing State Corporations was mooted after Independence; where most of the big businesses were in the hands of the colonialists and therefore there was urgent need to transfer the control of the economy to indigenous Kenyans and Kenya Africans in particular. The primary of creating these parastatals, apart from creating jobs, was to see if the Exchequer could get some income from the operations of these parastatals.

Having said that, Mr. Speaker, Sir, I would now like to refer to our mandate which is given under Standing Order No.148(2) which says:-

"The functions of the Public Investments Committee shall be-

- (a) to examine the reports and accounts of the public investments;
- (b) to examine the reports, if any, of the Auditor-General (Corporations) on the public investments;
- and
- (c) to examine, in the context of the autonomy and efficiency of the public investments and to see whether the affairs of the public investments are being managed in accordance sound business principles and prudent commercial practices."

Mr. Speaker, Sir, if you take sound business principles and prudent commercial practices as the criteria of determining the performance of State Corporations whose accounts we examined, you will begin to see that really there are very, very few parastatals indeed that can measure up to the provisions of this Standing Order. There are four reasons why State Corporations have been performing poorly. First of all, there is corruption, mismanagement, irregular appointment of personnel and political interference.

On the issue of corruption, it was very, very pathetic to see that there were numerous irregularities in the tendering procedures applied by almost all the State Corporations whose accounts we looked at. There are many glaring examples and I hope that hon. Members will take time to look at this Report. There are many glaring examples of irregular awarding of tenders. These examples were rampant in the Kenya Posts and Telecommunications Corporation. In the normal procedure of tendering you usually obtain advertise tenders, select three contractors or more and award the tender to the lowest bidder. What was happening in some of the cases is that there was collusion between the Chief Executive, his Management and the tenderers; whereby the tenderers would be asked to quote a very low price so that they get the contract only to be varied later after the tender has been awarded. This has happened in most of the parastatals that we looked at.

Mr. Speaker, Sir, there is also the issue of open theft. After the funds had been generated, there was open theft by the officers of the parastatals. We have recommended that in some of those glaring cases these people should be taken to court. In some of the cases we have recommended surcharge, but unfortunately the office of the Attorney-

General does not seem to be very enthusiastic in taking action in this regard.

The other point relating to corruption is laxity in the collection of debts. Although one may want to argue that this is a management issue actually in some cases it was a collusion between the debtors and the officers; where documents were falsified to make it difficult for anyone to follow and recover these debts.

Mr. Speaker, Sir, there were irregularities in the investment of surplus funds. We have examples of many parastatals which invested money in the so-called political banks and this money has not been recovered. It is impossible to imagine why the Government with all its machinery is reluctant to recover these public funds. There does not seem to be any political will to recover these funds so that they can go back to the Minister for Finance. Why should we go to borrow money from donors at a very high cost while we have adequate resources in this country? It was very clear to us that we do not need as much aid as we are seeking from donors if these funds were managed properly.

Mr. Speaker, Sir, the other issue that we looked into was the mismanagement of these parastatals. One of the reasons for mismanagement was lack of adequate internal controls. This contributed to a lot of frauds in the parastatals. This is because due to lack of strong internal controls, the officers felt that they could put some of the funds to their personal use and get away with it. This has happened in very many parastatals.

Also inappropriate and untimely decisions were taken particular when it came to the issue of deciding whether to invest in a certain area or to divest from a certain investment. We also had examples of implementation of projects without adequate funds. This is why we have so many white elephants in this country. We saw examples in our public universities where the Ministry would allocate funds to construct a dormitory in a university college, like Maseno, but those funds would get exhausted before the project was completed. It beats anybody's knowledge or anybody's intelligence to

see why the Government with all its machineries, and with all the laws that are in place, to follow up these public funds, it does not seem to have an incentive or the political will to follow these public funds so that they can go back to the Minister of Finance, and sometimes you wonder why. The impression that one could not help seeing is that why should we really go to borrow funds from donors at a very high cost while we actually have enough resources within the country and within our parastatals if these resources are properly managed. It was very clear to us that we do not need as much aid as we are asking if these funds were managed properly.

Mr. Speaker, Sir, the other issue that came to us was the mismanagement of these parastatals. One of the points that came about was lack of adequate internal controls. This was one of the main contributing factors of frauds because prior to lack of these internal controls the officers felt that they could put some of the funds to their personal use and get away with it. It has happened in so many of them.

Mr. Speaker, Sir, there was also inappropriate and untimely decisions taken, particularly when it came to deciding whether to do an investment in a certain area and I have mentioned that just a few minutes ago or to divest from a certain investment. We had also examples of implementation of projects without adequate funds. This is why we have so many so called white elephants springing up. We had examples, for instance, of public universities where a Ministry would allocate funds to put up, for instance, a dormitory in Maseno, but somewhere halfway, funds are not allocated and, therefore, those funds, because they were not adequate end up almost being wasted. By the time the project is resuscitated, the whole of the costing will have changed either to two times or three times when the economy was doing so badly because of hyper-inflation. Therefore, this mismanagement was prevalent in all parastatals that we looked at.

Mr. Speaker, Sir, there was also the complaint, and this was genuine, from the Auditor-General (Corporations) of preparing the accounts. This happened either because there was no political will with the management beginning from the Chief Executive down to the accountants or the latter were not competent enough. Therefore, the reports that we looked at, some of them were very late, and in some cases they were not prepared properly. There was particularly the issue of knowing the wealth of a certain parastatal, the Balance Sheet. If the register of assets is not kept, for instance, in Kenyatta National Hospital, then it became very difficult even for the Auditor-General (Corporations) to ascertain the true picture in that parastatal. Therefore, this kind of mismanagement was very prevalent in many of the parastatals that we looked at.

Another issue that also came up was about incompetence of some of the accounts staff in these parastatals. They kept huge amounts of money in the Suspense Account. The notorious one was National Social Security Fund where about Kshs.6 billion was kept in Suspense Account meaning that there they had Kshs.6 billion worth of contributor's money that they did not know where to put it. They did not know who it belonged to and they did not know who they should pay and it was very pathetic. Therefore, no wonder there are so many temptations to misappropriate funds when you have such huge amounts of money floating around.

Mr. Speaker, Sir, the other issue that the Standing Orders asked us to look at was about the autonomy of these parastatals. It was very clear that most of these parastatals were not autonomous at all. What was striking to us was that

particularly the Chief Executives were almost all without exception political appointees and particularly from one ethnic community, which means that even the operations and the management of that parastatal was not being done professionally because this Chief Executive first is not a professional person; he is a political appointee and secondly he is not accountable to the Government *per se* but to an individual who appointed him. Therefore, there is no incentive really to run the parastatal as a business concern or on commercial basis. We would recommend that if really we are serious with the economy and if we really want to change the face of the parastatal sector in this country, we must restrain from appointing Chief Executives on political personage. We should, as far as possible, get the Chief Executives and the personnel down the line appointed on merit. Because of these appointments, most of this mismanagement was brought about first by the kind of nepotism that was so apparent in the running of these parastatals. Once a Chief Executive is appointed politically, then the next person or the key managers in those parastatals are mainly friends of that Chief Executive or friends of his political mentor or somebody close to a relative or somebody. So, in summary, you find these parastatals are being run not like commercial enterprises, but as welfare clubs where the main interest is not to make profit for the Exchequer, but to help people who are your political appointees, your voters, relatives and so forth. This was very evident throughout those parastatals that we looked at.

Mr. Speaker, Sir, on the same note, the opposite issue of nepotism that came was victimisation of those officers that could not toe the line, particularly of the Chief Executive or of the political opponent or the political mentor that was there. We had cases where some of the losses came about particularly after one of the officers has been sacked either because he resisted some of those irregularities and, therefore, he was being on the way and soon after that he was being found to be an obstacle and therefore gotten rid off to make way for some of these embezzlements that were going on. Therefore, that is another very serious issue that was very, very prevalent.

Coupled with that there is also this political interference which is always there, particularly from the parent Ministries. We have examples, for example, the Ministry of Education which diverted funds meant for Maseno College to another project and this has been happening in many of the parastatals. There are many cases of Ministers giving directives and, therefore, not giving the chief executives free hand to run the commercial enterprises. Therefore, there was a lot of political interference all the way through.

Another political interference came in form of exemptions. For instance, NSSF, KBC and KWS were being exempted from the provisions of Cap. 446, State Corporations' Act, which requires that the State Corporations submit their accounts for audit to the Auditor-General (Corporations). It gave the impression that the aim of doing that was to remove those parastatals from public scrutiny and we find it difficult to understand why a public enterprise like the NSSF that receives contributions from the general public would be given an exemption not to be put into public scrutiny. This is another notorious political interference and if this sector is to be changed, there should be a review of that section of the law that gives the provision or power to one person like the Minister to give exemption unilaterally to a parastatal without any reference to either Parliament or the Public Accounts Committee.

Mr. Speaker, Sir, I would like to suggest that before funds are spent by a parastatal or public corporation, we should borrow a leaf from other governments like the United States where the public accounts committee scrutinises issues and the budget is passed there before it is spent so that there is more accountability. There are a lot of issues that the Mover of the Motion mentioned, for instance, the NSSF and the Nzoia Sugar Company. I think it was elaborately mentioned and I would rather not go back to it. But there is one or two that I would like to go into in details. For instance, the Nyayo Tea Zones. This parastatal though meant to give more output of tea, it has now turned out to be a liability to the Government. In fact, it is evident or we hear that there are plans to have it quietly sold out to individuals. This brings me to another issue of lack of transparency in selling those parastatals. This is not the only one that had bad example where individuals within the Government are quietly trying to acquire those public enterprises at throw-away prices instead of transparently transferring them to the general public. We can sit here for hours talking trying to show what is wrong, but unless there is a political will from the side of the Government, our efforts or the efforts of this House will end up being wasted.

Mr. Speaker, Sir, there is another issue of the Nyayo Bus Service. It was a very pathetic situation to see over 100 chassis lying idle on the compound, rain falling on them and very little being done to them. The reasons given for not rehabilitating those buses are very inadequate. This again and from what we could see, the issue was much deeper than just mere lack of funds. First, the way those buses or chassis were brought in was suspect. You could clearly see that somebody benefited from that deal.

Mr. Speaker, Sir, there is another issue of accepting donations or aid from donors not because the country needs them or the parastatal needs them, but because an individual is benefiting directly. This was quite prevalent and we should point it out. It is important to know that this sector has gone down not because it is bad or intentions are wrong, but because we have some individuals who would like to benefit directly from this sector instead of helping the common man.

The other issue, Mr. Speaker, Sir, concerns the infamous Turkwel Gorge. We went there and by a mere look at that project, one gets two impressions. Technically, it is a good project, but it is a financial disaster as well a social disaster. Financial disaster in that the amount of money - Kshs12 billion - that was spent on that project is not worth it. Our report also shows that there is about Kshs5 billion on that project that was spent without showing how it was spent. There were no vouchers and so on. So, the Chief Executive could not explain how that money was spent or how the tendering was done. It was not also clear how the French contractor got the contract since it was not through the normal Government tendering procedures.

It is also a social disaster because when the project was "conceived", it was supposed to help wananchi downstream with irrigation schemes. There were supposed to be irrigation schemes from that dam so that farmers could grow crops and so on. This has not been done up to date. One of the justifications of investing in that project was that the wananchi downstream would benefit from irrigation schemes. Now, going to that area and getting energy which then is distributed to the national grid without the people in the area benefiting from that project is, to say the least, immoral. Some resources are situated in some areas for the local wananchi to benefit but somebody comes and invests there and he benefits. The common man there does not benefit at all, but somebody else benefits. So, in whichever way you look at that project really you cannot help but feel sad about it.

In summary, if you measure the parastatal sector in this country against the criteria as provided by Standing Order No. 148 of autonomy, efficiency, sound business principles and prudent commercial practices, I would confidently say that almost none of our parastatals today in the country can score very highly based on that criteria. Therefore, if really the Government wants to change this economy and create confidence in this sector then the Minister for Finance, the other Ministers and the Government must come together and review this sector properly and efficiently so that it can fulfil its original role.

With those remarks, I beg to second the Motion.

(Question proposed)

Mr. Nthenge: Thank you very much Mr. Speaker, Sir. I would like to make a very short speech on this issue. My first point is on investments. This is a national issue. As I have said many times whenever something is of national importance this House should realise that it is what is going to save this country. When a small local issue is at stake people can belittle it. It does not matter very much because it might be a matter that concerns a location or a district. The purpose of taking seriously an issue that is of national importance is to make the nation worth being a good nation. When a nation is good everybody in that nation be he poor, intelligent or a cripple is happy. So, I would like the Public Investments Committee to be given the recognition that it deserves. By that, it will give us in the nation wealth and that wealth will be spent for all of us. When it comes to individual wealth or a wealth that only covers an area, it is a different thing from national cake. This is a national cake where even the people in the border and those in the centre benefit. So, I feel that it is such an important Committee of this House and that it should be taken very, very seriously.

The Mover and the Seconder of this Motion are both learned scholars of international status. That alone should show us what kind of outlook the Committee has. The Committee is so important that whatever it does will not only benefit the nation now, but will even do so to our grandchildren and great grandchildren. When I say that some people ask, "what about it?". If you go to this City you will find that law courts are being used now for the benefit of everybody and they were built long ago. There are buildings which are very old and, therefore, if we do something good it will last while we, our children and our grandchildren and great grandchildren live. Therefore, it is such an important investment for the present and the future. So, I support the Mover and the Seconder on these grounds that it is something very important.

Mr. Speaker, Sir, this country has been spoilt by the fact that we changed from nationalism slowly to individualism. At this stage, we are very individualist. If you call a committee to do a good job and if the committee members are not going to benefit as individuals they refuse to attend it. We have gone too far. When we went into politics during the colonial days we were not benefiting at all. On the contrary we were losing, but we struggled until we got Independence, but shortly after we achieved Independence that understanding of oneness started dying slowly and now corruption have gone to the extent that even messengers practise it. For a messenger to hand over a cheque written hon. so-and-so he would like to know what he would get. He behaves as if he is not employed. You are employed to deliver cheques and then after doing that you want to be paid something. They say: "Nimekutumikia or I have served you, as if he is serving you without payment. When I now serve Kamukunji and the nation of Kenya and I am paid, I should not go and ask the people of Kamukunji or elsewhere to give me something because my services are being paid for. Now, the smallest man employed by the Government or in any organization believes in individualism and they want to give bribes from top to bottom. It started with us, the seniors. I am sorry to say that, but

I have to be honest here. It is we who were leaders by the time we got Independence who spoiled the system by amassing shambas and free things. We made individual wealth to be more important than national wealth. When we move from that thinking of individualism to nationalism we will be serving this nation very well because you will find that even when the Public Accounts Committee meets it will be doing a better job. At the moment because of individualism, every year the Public Accounts Committee, though meant to make a follow up of all the people who are supposed to protect the wealth of the nation and have failed to do so we find that they do not do so. Everybody is complaining. It is possible that within a short time we are going to have this House leaking or probably not cleaned by the workers because the Speaker does not bribe us. We have reached such a holding stage. They are soon going to say that we should not clean the bathrooms because the Speaker does not give us tips. I would like us to change that attitude and accept that when a good hospital exists it does not exist for only me, you or for anybody, but for all of us. If I am in need I go to the same hospital and get treatment. When my brother is sick he also gets treatment. When my neighbour is sick he gets treatment. When our visitors come from Uganda, Tanzania or any other neighbouring country and they get sick they benefit from that hospital.

But, Mr. Speaker, Sir, because of these things now go to Government hospitals, wherever they are, and you will be asked for a piece of paper for prescription of your treatment. Due to this the weak, economically and intellectually, in society will feel that we are being unfair to them. I would not like to mention their kind of reasoning now because I am contemplating discussing it first with my equals in leadership. You see, when we started pushing the British Government to leave this country we had a different agenda from what we are getting. In fact, I have told people that if I knew that we were going to lower our standards the way we have done, I would not have gone into leadership. I would have remained a businessman, made a lot of money and then, perhaps, gone and spent it in a better managed country.

However, in my opinion, the nation is more important than me. This is because I am part of the nation. You see individualism is a cheap and satanic concept. This is because God wants us to care for others the way we do for ourselves. However, we have become so satanic that when one has enough he does not even think other people exist. Yet in any country there are three groups of people, namely the top elite who include intellectuals and who are very few, the ordinary people who are the majority and the "useless" people like cripples, mentally retarded and so on, who are also very few.

Now, all these people are supposed to be loved equally because that is what God wants us to do. God wants us, the elite in this House, to take care of the weak in our nation. Hon. Anyang-Nyong'o, for example, is supposed to use his good brain to help the weak. It is our responsibility to ensure that everybody has some food and shelter. You see, most of our people do not want a bicycle, a car or a big house. All that they require is food and shelter and then you can give them work and they will do it. We are becoming very unfair by forgetting that we are supposed to support these people. Now, the Public Investment Committee was established to work for the good of the three groups of people in our country.

As I have said, I will reserve some of the things that I should say for discussion with my colleagues in leadership who are still alive. You see, when we started demanding Independence we had about 33 elected African leaders. Some of these people have died, but about 16 of them are still alive. We also had national leaders like hon. Shikuku who were not elected Members to the then Legislative Council, but who were participating in the struggle. So, first of all I want to discuss the ideas I have with the likes of hon. Achieng-Oneko, hon. Shikuku and President Moi. If we succeed in our deliberations then we will change our nation.

I believe we are the luckiest nation in the world. We have dry land and fertile land and also enough water to water the dry lands. In fact, about four years ago, I wrote a letter suggesting a meeting of my colleagues in leadership and I would like the Head of State to be the chairman of that meeting. This is because our President is the only surviving Member of this House out of the first eight Africans to be elected to this House. Also, only four of us from the colonial period who came to this House after Independence. These are hon. Moi, hon. Sagini, hon. Taitta arap Towet and myself.

So, Mr. Speaker, Sir, before we die I would like us to sit down and see if we cannot change the thinking of this nation. Our nation today believes in money, and does not care whether it is stolen tax money. Yet stealing tax money is one of the worst things to do. This is because some taxpayers are very poor. So, when tax money is stolen by some of us they are stealing from very poor people and so they stand cursed. If you do not know what a curse is, then look at a number of African countries which have suffered. The latest to suffer its consequences is Burundi. It has even caused havoc in Somalia and most of you saw it. This is the kind of curse God unleashes when we, the elite, refuse to acknowledge that He is the creator of even cripples and the mentally retarded. That is the curse he brings when there is a war in the country. Some hon. Members have never seen a war. I saw the war of 1914 very well. I wish hon. Mulinge was here because boys of our age are the ones who went to the war in 1914. We were by then

under 20 and because the British required soldiers, those who knew how to read and write were very much wanted. In fact, hon. Mulinge never went to look for a job. He was looking at them when they were employing people and one of them said; "come here, young man". From that day, he became a soldier. So, a war is a very bad thing, whether it is a cold war or a civil one. Whatever it is, the war will bring a very big loss. When I think that we are about to let God curse the nation because of our selfishness, I feel very bad.

I said I did not want to make a very long speech, but I want to get the House to understand the importance of this Committee because, when you invest for the nation, you are doing it for yourself and also for the three groups. Once it is well done, people will always have shelter and food. At the moment, I happen to be the Member for Kamukunji and this is one of the constituencies mainly inhabited by the poor, where those who are rich live in one room. Many people live on verandas, while many others have to share one room, with others sleeping under the bed. This is because the space is limited. Now, when you go into the market where I work and you see people who live there going to the dustbins--- They come everyday to the market to wait for whatever goes to the dustbins. They cut off the side which is rotten and eat what is not rotten. That is what they live on. When you see that, you feel that there is something on the way coming. I am now informing the House that there is something on the way coming and we should prevent it before it comes. We still have a chance. If we change, God will excuse us. If we do not change, he is going to curse us, and I do not wish for us to be cursed. When we are cursed, everybody suffers, including those who drive big, beautiful cars and those who own fleets of cars and change them when they are going to different parties. When they want to dress up, they do not know what to wear. They go through their wardrobes until they are tired because they have so many clothes, and yet Kenya has so many people who, when they wash their clothes, they cannot go anywhere. They have to wait until that clothe dries because they do not have another one. They have only one shirt, so they wash it at night and wait until it dries. If it dries by 9.00 a.m., then they dress up. I want the Members of Parliament to remember that we have those three groups and we, Members of Parliament, in particular, are responsible for all the classes; from the university lecturers down to the sweepers, the beggars and the cripples.

Mr. Speaker, Sir, with these remarks, I beg to support.

Dr. Otieno-Kopiyo: Mr. Speaker, Sir, on that very inspiring spiritual and philosophical sermon, I feel privileged to follow, the hon. George Nthenge. However, I would like to add that I will reserve most of his sentiments for when I retire because they are useful to follow but we are living in a practical world.

Mr. Speaker, Sir, I feel honoured to have been a Member of the Public Investments Committee to review the accounts of the public investments for the year ended 30 June, 1994 and the previous years that were not covered by the other Committees. I want to start by stating that the principle aim of the fight and the struggle for Independence was actually also mainly aimed at the capacity of the people of Kenya to live under a form of economic freedom, that the fate of the Kenyan citizens in terms of the economic well being would be controlled by themselves. The background to this was the fact that, prior to Independence, everything economic was controlled by foreigners. It was, therefore, the principle aim of the first independent Government to establish a mechanism whereby Kenyans would then be able to control their economic fate, both in terms of creating income for themselves and also creating employment for the citizens.

Mr. Speaker, Sir, it is upon this background that, I suppose, the Government went ahead and created over 200 parastatals that operate today. During the year under review, the Committee went through accounts for 62 corporations. Some accounts could not be handled because of lack of time while others could not be handled for technical reasons. I will divide my analysis on what we went through into categories, and these are categories of problems. The first of these categories is the question of general management of the State corporations. In a nutshell, you can divide the forms of management that we witnessed in analyzing the corporations' accounts into four categories. One was mismanagement. The second one was under-management; there was lack of it completely. The third one was abdication; that is, somebody knows what they are supposed to do, but they abdicate the responsibility, so they end up not doing it. The fourth one was pure corruption. I think in that category, either the person does not know what to do, whatsoever, and they have come upon some assets or capital that they are supposed to manage, then they misuse it, or the person knows what he is doing so well that he plays about with the books and misuses public funds.

Mr. Speaker, Sir, the second category of the problem that we faced was of the policy on the choice of public investments; what determines a viable investment and what determines the decision by the Government to form a particular corporation, what the purpose of that corporation would be and what it is intended to achieve on behalf of the public. So, the question of the policy on choice of public investments also featured prominently. In other words, in some cases, investments like what we have at Turkwel Gorge was an investment that, in principle, is good, but it is sited in a wrong place, upon a stream which will take 20 years to fill up the dam. Then, because the river does not have the capacity to drive the turbine, they have dug a corridor, three and a half kilometres down stream to create an artificial fall. That is where the problem was. It was not that the dam was not able to generate electricity, it was just that it was sited wrongly. I will go into the reasons why I think this mistake was made. I wanted to amplify that this is

an example of poor policy choice of a public investment.

Mr. Speaker, Sir, the other problem was lack of policy cor-ordination among the various Ministries that own public corporations. Public corporations are owned by what is referred to in bureaucratic terminology as "parent Ministries".

There are various laws, regulations and acts that cover or govern the operations of those corporations. Because they come from different Ministries, you find that there is no single formula or general economic philosophy or set of principles that govern their operations. That was also a very grave problem, because you find if an officer is transferred from a particular Ministry to go and run a corporation, he comes from the Government using regulations that govern Government operations and tries to apply the same principles in running a profit making venture. So, lack of policy co-ordination was a serious problem that we witnessed.

The other one, and I think a very serious one was the problem of proper procurement policy set out for these corporations. You find that an organisation, like the one mentioned before, Nyayo Bus Services Corporation bringing in buses, Daf or Volvo or Iveco without a proper policy on back-up service or spare parts procurement. So, you end up with a situation where the bus is only a few years old, but because it has not been properly backed-up with service and spare parts *et cetera*, it breaks down and it is no longer able to serve the public.

If you go to a place like Nzoia, in 1977, the French brought them tractors that were not available in Kenya, that had no dealer in the country and had not spare parts whatsoever and within a few years, they were moribund and they had to be written off and maybe, sold very cheaply to individuals.

Finally, and of late, we went into the question of privatisation. Again, this is a very sad situation, given the background that Kenya achieved political Independence and wanted to follow through with economic independence, and, therefore, created corporations that could be run by Africans or Kenyans to benefit them economically and to provide employment.

Mr. Speaker, Sir, the manner in which the Government has gone about privatising corporations has left a lot to be desired, but principally the problem has been that they chose to privatise the most lucrative and most well run corporations. When the Committee inquired into the morale behind this, we were informed that the Secretariat dealing with the privatisation thought that by selling off lucrative and well run corporations, they were going to attract investors for those Corporations which were not well run. I find a lot of loopholes and weaknesses in that argument, but I will reserve that also for my analysis.

Mr. Speaker, Sir, the total picture that has now been painted by the combination that I have enumerated has cost this nation several hundred billions within the last ten to fifteen years. If you go through this Report, page by page and just take a calculator and add up the figures that are within this Report, you will be talking at least Kshs100 billion either missing or not properly accounted for or misplaced in some other way. This is definitely a sad story.

The running of state corporation was in itself often haphazard, disco-ordinated and thoroughly unprofessional. The key problem with this was of choice of management by the institutions or Ministries charged with that work. The consideration for hiring a manager was often on the basis of political consideration or political merit other than managerial ability. One would want to urge and I want to start now by saying that the Government should add onto the list of what it wants to consider as important for Kenya, the question of transparency accountability and meritocracy. That whoever retains a job as a Chief Executive or any other officer of a State Corporation better do so because they are the most qualified persons available for that job.

[Mr. Speaker left the Chair]

*[The Temporary Deputy Speaker,
(Mr. Ayah) took the Chair]*

The ability to retain the job will be demonstrated upon the capacity of that Corporation to make profit and pay its way through.

Mr. Temporary Deputy Speaker, Sir, with regard to political considerations, I can appreciate that Kenya is a poor country and if you are the ruler of a poor country you create opportunities for people who support you. When you create opportunities for people who support you, you expect them to pay you when they finish the assignment. So, State Corporations have been used to reward political patronage; to reward individuals who supported a particular politician who was in charge of a Ministry at a particular time. The net result was that it did not matter if the person appointed to run the Kenya Sugar Authority had mismanaged another State Corporation elsewhere. It did not matter whether the Chief Executive of the Kenya Sugar Authority was actually the Managing Director of Postbank Credit that went under receivership as a result of which the taxpayer is now paying billions of shillings to be able to recoup the investments that were put in there. That Chief Executive is simply transferred from that fallen corporation to a new

one. Obviously the explanation is that the money that was misappropriated was shared among politicians and, therefore, there is good reason to keep the individual.

Mr. Temporary Deputy Speaker, Sir, there is also the question of transferring of managers who have mismanaged State Corporations. If the Government wants to be taken seriously, this issue should be addressed. Most of the State Corporations whose accounts were examined by the Public Investments Committee were operating on the basis of going concern; which means that they were operating at the mercy of their creditors, suppliers and the banks. A lot of money was pumped into these State corporations to avoid closing them completely; that keeps a person in employment and the taxpayer keeps on footing the bill.

One of the mechanisms used in this respect is that most of the public investments then became conduits for transferring public funds from the public coffers into private pockets. I have in mind the case of the National Social Security Fund; the extension to Social Security House here in Nairobi. I am referring to the accounts for the year ended 30th June, 1991. Reference was made in paragraph two of the Report for the year ended 30th June, 1990, to the contract which the Fund awarded in December, 1988, for the extension of Social Security House, Nairobi, to a successful tenderer at a contract cost of Kshs.467,712,570.00. The sad thing about this contract is that after awarding this tender to somebody who tendered for Kshs.467,712,570.00, by the time the query was being raised, the property had cost the Fund Kshs.2.9 billion or six times the original tender cost.

The Assistant Minister for Labour and Manpower Development (Mr. Komen): On a point of order, Mr. Temporary Deputy Speaker, Sir. The hon. Member should not mislead this House by saying that the Social Security House cost the figure he talked about? He is not mentioning the additional storeys and inflation. More storeys were added on to the building later and even after the---

The Temporary Deputy Speaker (Mr. Ayah): Order! What is your point of order?

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

[Mr. Speaker resumed the Chair]

The Assistant Minister for Labour (Mr. Komen): Is he not misleading the House since the first tender was for 24 storeys?

Dr. Otieno-Kopiyo: Mr. Speaker, Sir, I would like to inform the hon. Member that in this contract - I have studied it very carefully - that there was a provision for upward or downward variation by 25 per cent. Now, if he uses simple arithmetic and calculate from Kshs467 million and add 25 per cent, it does not come to Kshs2.9 billion. That is all I am saying. But I recognise the fact that the contract was varied many times, but the variation was not accommodated in the contract, neither was the variation approved by the Board of Trustees. So, I am not misleading the House, but I am only telling you what happened. In fact, I can read it out for you, and quote:-

"Arising from the foregoing, it would appear that the Fund did not carry out proper planning execution of the project and, as a result, the completion date has had to be extended on three occasions. Had proper planning for the project been received and implemented, the Fund would have minimised on payment of fluctuations resulting from the depreciation of the Kenya Shilling, extra Import Duty and VAT and other additional costs".

So, even with that attempt, Mr. Speaker, Sir, the ball is still in the Fund's court. What saddened me about this is that this is pension money, money that you and I have contributed for the rainy day when we retire. The Auditor-General (Corporations) says that as a result, I have not been able to establish the property of the total expenditure of Kshs2.9 billion. He says he cannot establish the economic property of that expenditure.

Mr. Speaker, Sir, I also want to inform the hon. Member that the total cost of the building now is running close to Kshs4 billion. I want to express my own disappointment which I could not share with many of the Committee Members. I do not mind that whether this building was going to cost, say, Kshs5 billion. The taxpayer would make up his mind if he can support that project and then it would be executed in accordance with the plan laid down. By the way now that the matter has come up, may I inform the House that with regard to the NSSF building, the plan was executed without an actual cost or no proper cost-benefit analysis. It was not done in advance. In fact, in 1993, when queries started arising, the Board of Trustees went ahead and prepared, in retrospect, the cost-benefit analysis. So, I do not think it covers all the aspects. This is just an example of what happens when we do not plan properly. We "undermanage"; not "mismanage". This is when we put men or women who are incompetent in positions of authority and try to run an establishment of this magnitude. This is a lot of money and it is very unwise to put incompetent people in such a place. Advertise the job and get the best qualified people, put them in place and pay them well so that they do not have to steal. That is what the Government needs to do. It should be part of policy. If a person wants, say,

Kshs250,000.00 or Kshs300,000.00, please, pay him that. But let him manage the money put under his charge properly. This should be part of the Government, instead of paying this person, say, Kshs15,000.00 and then he has to "dip into the till" to make ends meet.

As it were you are creating an avenue for corruption when you hire poorly trained managers and then underpay them. This was a bad example of what took place. While I am still on National Social Security Fund (NSSF), they did something else that I think we should take objection to. The NSSF, in 1994, sought and received an exemption to the State Corporations Act. The argument was that they were managing such a large sum of money that they needed competent people. I buy that argument, but you see at the same time the Fund was seeking exemption and receiving it while their own accounts were still under public scrutiny. So, the net result is that you have now given them a window out not to be scrutinised by the Public Investments Committee and this Parliament and, therefore, the public. So, here is a pension fund to which the public is contributing money that they earn and then you allow it to mismanage the Fund and while queries are still on. You allow it to be exempted from investigations by Public Investments Committee. I think this is an anomaly that should be corrected by the Minister responsible, but I would suggest that in future when they want to exempt corporations from the provisions of the State Corporations Act they should do the following things:-

(1) They should give the corporations conditions. For example, that they have clean accounts for five years. Once they meet this condition, you can give them partial or whole exemption with the proviso that if they mismanage the fund or anybody complains against them the query will come before Parliament. So that way you have a check on what they are doing. I understand that the State Corporations Act is coming before this House for amendment and I do hope that the Attorney-General will put in place a proper mechanism for safeguarding public money because we are managers of this Fund for posterity not for our own individual selves.

Mr. Speaker, Sir, I want to inform the House about something else that the Committee witnessed and that was the creation by corporations of avenues for spending public funds unjustifiably. The Kenya Ports Authority acquired property from the then East African Harbours Corporation way back in 1977, but up to 1992 the Auditor-General was still writing as follows:-

"As in my previous years on the Authority's accounts concern has been expressed that the balance sheet does not reflect the correct value of assets due to the fact that some assets in operation have been fully depreciated over the years. Further land inherited from the defunct East African Harbours has not been valued and included in the assets. The same situation persisted during the year. In the balance sheet a figure of Kshs. 4.6 billion does not include some land and undetermined value of some assets whose original cost totalled Kshs. 578,488,126".

What concerns me is why it took the Kenya Ports Authority so many years to be able to recognise the value of assets that they had actually legally acquired from the East African Harbours Corporation. What is sad about it is that whereas this is a Government public corporation, to be able now to resolve the question because the Auditor-General has questioned what the value should be, they went ahead and hired a private valuer. The private valuer is called Tysons Limited. He was hired to value all the assets including land owned by the Authority at a fee of Kshs. 23,600,000. Now, they owned the land for 10 or 15 years. They kept it there. When the Auditor-General(Corporations) says, "We do not have the assets in your register and you do not know their valuer", they go ahead and call a private corporation. It is a Government body which has access to the Ministry of Public Works and Housing; the Ministry that is responsible for valuation of Government property and land.

Mr. Speaker, Sir, instead of calling on the Ministry of Public Works and Housing - because it has qualified people who are already paid by the public - to undertake such an assignment, it was given to a private company at a cost of Kshs.23,600,000/-. The Committee - and I give credit to it for this - totally disagreed with the argument, which was advanced by the parent Ministry, that they could not undertake the exercise due to lack of manpower. It was said that the Ministry did not have a single valuer who could be sent to the Coast for two or three weeks to save the public Kshs.23,600,000/-. The Committee was informed that the Ministries of Public Works and Housing and Lands and Settlement could not be involved in the valuation exercise. Consequently Kshs.23,600,000/- was used in hiring a private valuer while the valuation could have been done by a Government Department at a cheaper rate.

Mr. Speaker, Sir, even after paying Kshs.23,600,000/- they only had a draft valuation report. This kind of situation also makes the Government inefficient. If this public money was saved and used for running Government Departments the Government would not be undergoing some of the criticisms it suffers from some of us. It is a question of putting the money where it should be.

I want to deal with one other issue, which I

mentioned earlier on. This is the question of haphazard management. This issue started way back in 1966 when the National Hospital Insurance Fund (NHIF) was set up. We discovered that up to last year the NHIF did not have a board of directors and so technically it did not exist as a corporation. Yet it is the body which is supposed to collect

workers' money and then utilise it to pay for workers' medical expenses when they fall ill.

(There were loud consultations in the House)

Mr. Shikuku: On a point of order, Mr. Speaker, Sir. The hon. Member is making a very good contribution, but there are a lot of loud consultations over there. I do not know what they are all about, but could you help us by calling the hon. Members concerned to order?

Mr. Speaker: Order! May order prevail in the House? Proceed, Dr. Otieno-Kopiyo.

Dr. Otieno-Kopiyo: Mr. Speaker, Sir, apart from the haphazard manner in which the NHIF was set up and the long period it took to rectify the anomaly, since the Fund does not have a board of directors that could help it in making decisions it is doing something that is akin to doing a disservice to the public. This industry has now been invaded by private investors such as the African Air Rescue group and all manner of people who are charging between Kshs15,000/- and Kshs30,000/- depending on the kind of category of cover you wanted to be insured under. They are attracting members of the public who could otherwise be registered with the NHIF at a lower fee to provide a spread-out effect for all Kenyan workers to be covered under the scheme.

So, right now the NHIF takes away Kshs120/- every month from you and yet if you fall ill they will give you a maximum of, I think, Kshs400/- a day. Currently, this amount does not cover even the cost of a bed in a hospital. I think this situation could be rectified if a board existed and went into the process of trying to establish a mechanism for reviewing and evaluating the cost of medical services in the country. In this way those who earn a lot of money like hon. arap Ng'eno could pay Kshs20,000/- while those who live in Mathare Valley and who do not earn much money could be charged Kshs20/-. If then, that person in Mathare Valley fell ill the spread-out effect of all the other large collections would then pay for his medical services because he cannot afford them. That, I think was the socio-economic benefit behind the philosophy to establish this Fund.

Mr. Speaker, Sir, I want to deal with a small area, and that is the question of privatization. As I said earlier on, when we became independent in 1963, the Government wisely thought that it was time the Kenyan African controlled his own fate, economically. For this reason, these corporations were created so that the public could have a share in the economy. One of the most important ones that were created at that time was the Kenya National Trading Corporation (KNTC). This was meant to forestall the hegemony enjoyed by Indians over the petty or retail trade. Thirty years later, there is no evidence that the effect of creating the KNTC has been positive to Kenyans. However, the most important part which is worrying me now is that, in the hurry to comply with the conditions created for Structural Adjustment Programmes (SAPs) by the World Bank, the Government is selling back the nation to foreigners. These foreigners are also utilising the imbroglia between the Opposition and the KANU Government. Since we are not on talking terms, foreigners who are smart enough come in to push for the liberalisation of various institutions so that, before you know it, in another five years, this nation would have been sold back to foreigners.

Mr. Speaker, Sir, the Opposition is here to give its view, but the view of the Opposition must not be taken whole-sale. It is not a medical prescription that you get from a doctor and purchase from a chemist. The Government is responsible for the management of society at all times, whether the Opposition exists and criticises it or not. I think the Government must review its policy on privatization because this is going to affect the future of our people. It is, definitely, going to have an adverse effect on the future of our people. This is what has happened to the cotton and sugar industries and also to corporations like Uchumi and the East African Industries which have been sold. They have sold the most profitable corporations. Ironically, they left the ones which are not making profit so that the public can continue to shoulder the burden of carrying these corporations on their poor shoulders. This is a pathetic situation which, I think, the Government should address.

(Hon. Komen interjected)

Mr. Speaker, Sir, hon. Komen, I am making very well considered points and I would wish for you to just listen and if you have time, you can reply to them. In any case, you are in the Government and I hope you can implement some of ideas. They are not crazy, I can assure you. They are sober, well thought out and well researched.

Mr. Speaker, Sir, we also came across the issue of corporations hiding evidence from the auditors and, therefore, from the Public Investments Committee and Parliament.

ADJOURNMENT

Mr. Speaker: Order! Hon. Members, it is now time for us to interrupt our business. The House is,

therefore, adjourned until tomorrow, Thursday, 8th June, 1995 at 2.30 p.m.

The House rose at 6.30 p.m.