

NATIONAL ASSEMBLY

OFFICIAL REPORT

Wednesday, 19th March, 2014

The House met at 9.00 a.m.

*[The Temporary Deputy Speaker
(Hon. Cheboi) in the Chair]*

PRAYERS

QUORUM

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Members, we do not seem to have the requisite quorum and, therefore, I order the Division Bell to be rung for ten minutes.

(The Division Bell was rung)

Order, hon. Members. We now have the requisite quorum and, therefore, we will start our business.

(Loud consultations)

Order, hon. Members. The consultations are too loud. Order, hon. Wario. Let us proceed.

NOTICE OF MOTION

ESTABLISHMENT OF SELECT COMMITTEE TO INVESTIGATE MASJID MUSA MOSQUE RAID BY POLICE

Hon. Nassir: Hon. Temporary Deputy Speaker, first and foremost, before I give notice of Motion, with your permission, I wish to take this opportunity to congratulate the police yesterday for actually being able to avert what could have been a very deadly terrorist attack. It is not very usual for the police to receive such an accolade, but I wish to congratulate them for actually doing something that has saved many innocent lives in this country.

Hon. Temporary Speaker, I beg to give notice of the following Motion:-

THAT, aware that on 2nd February, 2014 police officers raided the Masjid Musa Mosque in Mombasa County; further aware that police officers attacked the worshippers after they had conducted the afternoon prayers in the name of fighting terrorism; concerned that the attack led to

loss of lives and some people missing whose whereabouts are not known to date; this House resolves to establish a Select Committee to comprehensively investigate, inquire into all matters relating to the police raid on the mosque, review all the information that was available to the police and make recommendations on the way forward and further; approve the following Members to constitute the Committee and that the Committee tables its report within 60 days:-

- (a) Hon. Nassir Abdulswamad, MP.
 - (b) Hon. Peter Kaluma, MP.
 - (c) Hon. Johnson Sakaja, MP.
 - (d) Hon. Joyce Lay, MP.
 - (e) Hon. Ken Okoth, MP.
 - (f) Hon. Kimani Ichung'wah, MP.
 - (g) Hon. Ali Wario, MP.
 - (h) Hon. Regina Muia, MP.
 - (i) Hon. John Mbadi, MP.
 - (j) Hon. Hassan Aden, MP.
 - (k) Hon. Elmi Mohammed Ibrahim, MP.
- Thank you, hon. Temporary Deputy Speaker.

STATEMENTS

NON-COMPLETION OF VOI-MWATATE WUNDANYI ROAD

The Temporary Deputy Speaker (Hon. Cheboi): I can see there are two Statements to be responded to. The first request is by hon. Mwadime. Is he in? I see the Chairperson of the Departmental Committee on Transport, Public Works and Housing but I do not see the hon. Member who has requested the Statement.

An hon. Member: He is here!

The Temporary Deputy Speaker (Hon. Cheboi): Okay. Then you better concentrate hon. Mwadime. Proceed, hon. Kamanda!

Hon Kamanda: Thank you, hon. Temporary Deputy Speaker. I want to respond to the Statement sought by hon. Mwadime. He rose on the Floor of the House and requested for a Statement from my Committee. In the Statement, he sought to know when works on Voi-Mwatate-Wundanyi Road A23 and C104 will be completed. In his Statement request, he stated as follows:-

“This road has been under construction for the last two years with no sign of completion. The Government has not paid the contractor the full amount owed since 2013. The road works were due to be completed in March 2013 but the amount owed currently is Kshs.585 million. That amounts to about 70 per cent of the works completed, leaving about 30 per cent as incomplete due to financial constraints.” His questions are as follows:-

- (a) When will the Government pay the contractors to allow them to continue with the work on the road?
- (b) The completion date---

The Temporary Deputy Speaker (Hon. Cheboi): Order, hon. Kamanda. I saw the hon. Member for Mavoko had his card at the intervention slot. Did you have a point of order or you are exploring the gadget. You have actually removed it. So, proceed Mr. Chairman.

Hon. King'ola: Please give me the microphone!

The Temporary Deputy Speaker (Hon. Cheboi): You have removed the card. Proceed, hon. Kamanda.

Hon Kamanda: Thank you. Hon. Temporary Deputy Speaker, I beg to reply as follows:-

(a) The amount owed to the contractor is Kshs.442 million. However, the budget provision for the Financial Year 2013/2014 is Kshs.520 million on that project. But due to budget constraints, the Ministry was able to pay the contractor Kshs.437 million. The Government is making efforts to clear the outstanding amount in due course.

(b) The revised completion date still remains 15th March, 2014 as per the contract agreement. I know the date has expired. The contractor, however, owing to the payment delays due to the budgetary constraints on the part of the Government, has already submitted a claim of extension of time, which is under consideration by the Ministry.

I also want to say that the hon. Member attended our Committee and was able to interrogate the officials of the Ministry.

The Temporary Deputy Speaker (Hon. Cheboi): That definitely will, therefore, have an impact on the time we will take on that Statement. That is because the hon. Member attended the Committee. That is the best way to go. Secondly, because this is a fairly specific Statement request touching on a particular road in a particular constituency, I do not think we will take a lot of time on that. Let us have hon. Mwadime to seek any clarifications.

Hon Mwadime: Thank you, Temporary Deputy Speaker. That road is very important to Taita Taveta County at large because it is the only tarmacked road. However, I am applauding the Committee for the promptness in replying. But if you look at the reply, it has no specifics. They have not specified when the amount will be cleared or the specified time the road will be completed. The Statement says that the revised completion date still remains 15th March, 2014 and we are on 19th March, 2014. I think I have not carried anything at home because they have not specified.

The Temporary Deputy Speaker (Hon. Cheboi): I want to be clear on that. You attended the Committee meeting and you want to seek clarification. I want you to seek specific clarifications. Are you asking whether the timelines are not specific or what are you saying? You should be asking when the road will be completed.

Hon. Mwadime: Hon. Temporary Deputy Speaker, I will revisit the Committee again to give me the specifications. When is the road going to be completed? When will the amount be paid?

The Temporary Deputy Speaker (Hon. Cheboi): Let us hope the Chairman will be able to reply when the road will be completed. Let us have the Chair respond to that. I expected that, at the point when the hon. Member was in the Committee, most of those issues should have been dealt with. Proceed and clarify that specific bit before I give two other hon. Members.

Hon Kamanda: Hon. Temporary Deputy Speaker, I appreciate the concerns of the hon. Member. But the hon. Member will recall that we adjourned the meeting at that particular day so that we could summon the Cabinet Secretary in charge of the Treasury. It has been a major concern in the Ministry of Transport and Infrastructure that the budgetary allocation to the Ministry was not enough. For that reason, we agreed that we had to summon the Cabinet Secretary for the National Treasury and we did that. We met yesterday and he gave an undertaking that between now and the end of February, he is going to release Kshs15 billion that can cater for on-going projects. It is a crisis!

The Temporary Deputy Speaker (Hon. Cheboi): Did you say between now and February?

Hon. Kamanda: Hon. Temporary Deputy Speaker, no! It is between now and April.

He is going to release about Kshs15 billion so that all the on-going projects that have stalled can be fast-tracked. I want to assure the Member here that, between now and April, the money will have been released to the contractor.

The Temporary Deputy Speaker (Hon. Cheboi): Very well. That is okay. Let us have hon. Washiali

Hon. Washiali: Thank you, hon. Temporary Deputy Speaker. I want to thank the Chairman for the answer. However, I want to find out the policy of the Ministry. What comes first? I strongly feel that they should, first of all, have the money before they start working on the road. We have a similar example in the county which I come from. There is a road between Sigalagala and Sidindi. They worked on it for about four to five kilometers and stopped. Up to today, we do not know when they are going to resume work on the road. Therefore, I think the Chairman should tell us the policy of the Ministry in allocating work on a particular road, so that we can know when the road will be completed.

The Temporary Deputy Speaker (Hon. Cheboi): Very well. Let us have hon. King'ola.

Hon. King'ola: Thank you, hon. Temporary Deputy Speaker. I rise to inquire from the Chairman of the Committee on Transport, Public Works and Housing whether it is in order for him to give budgets or work in progress while---

The Temporary Deputy Speaker (Hon. Cheboi): I really do not want you to take the line you are pursuing now.

Hon. King'ola: Yes, hon. Temporary Deputy Speaker. I even went personally with the Chairman of---

The Temporary Deputy Speaker (Hon. Cheboi): Even if you sought clarification, it would still fall there perfectly; in the line which you are pursuing.

Hon. King'ola: I even went there personally with the Chairman and he promised that the road in Athi River Township will be done. Right now, there is a vehicle---

The Temporary Deputy Speaker (Hon. Cheboi): Now, hon. King'ola, there will be a problem there because that is a specific clarification on a specific road. The better way for you to handle that is to seek a Statement. That is because the Chairman will have difficulty in responding to a Statement which is---

Hon. King'ola: Yes. I am trying to confirm to you that I will seek a Statement from the Chairman.

The Temporary Deputy Speaker (Hon. Cheboi): No, you cannot do that honourable. You will be guided accordingly. You approach the Table here. You will be guided on what to do. You have a valid request that you want to make. The better way is to manage it yourself and make sure that you ask your own Statement.

Hon. King'ola: Hon. Temporary Deputy Speaker, he never responded to my question and that is why I am wondering whether it is in order for him to answer other Members' questions while he has not done anything for me.

The Temporary Deputy Speaker (Hon. Cheboi): Can I ask you for purposes of clarification? You had made a Statement request?

Hon. King'ola: Yes Sir.

The Temporary Deputy Speaker (Hon. Cheboi): Okay. Therefore, what you have done is that you have gotten in at a particular point and it would be only proper that you seek clarification on the Statement given and then ask your own separately. But I am sure the Chair of the Committee has noted your sentiments.

Hon. King'ola: Hon. Temporary Deputy Speaker, it has really taken a lot of time and I am trying to help other Members. We are not supposed to be here just to be making requests for Statements that---

The Temporary Deputy Speaker (Hon. Cheboi): What you will do hon. King'ola - and I want you to be guided accordingly - once the Chair finalizes with this particular one, I will give you an opportunity to find out why your Statement has not been brought. So, hold your horses hon. King'ola.

Hon. King'ola: Okay. I stand guided.

The Temporary Deputy Speaker (Hon. Cheboi): So, let us have one other clarification from hon. Gikaria. You are seeking for clarification on that specific one?

Hon. Gikaria: No!

The Temporary Deputy Speaker (Hon. Cheboi): Let us have hon. Kisang.

Hon. Kisang: Thank you, hon. Temporary Deputy Speaker. I would like to find out from the Chairperson the policy in the Ministry because we expect the contractors who are given work to have funds to do the roads and lodge claims after the completion of the roads. The reason why I am saying this is because we have a road from Iten to Bugar and the contractor has been there for the last three years but he has done nothing. So, we want to know the policy from the Chairperson. Is it that you pay them before or after they do the work?

The Temporary Deputy Speaker (Hon. Cheboi): That, to me, looks like the same clarification sought by hon. Washiali. So, could the Chair respond so that we do not have to give another opportunity to hon. King'ola? You probably also need to answer about the Statement requested by the Member for Mavoko.

Hon. Kamanda: Hon. Temporary Deputy Speaker, ongoing projects have been the concern of my Committee. By the time the last Government went into elections, there are some people in the Ministry who gave out so many contracts without considering the fact that there was no money. They committed the Government and awarded tenders knowing that there was no money. But because there was rush to go to elections, anybody who was in the Government forced the Ministry to award tenders. That is the problem

that has now come to the Cabinet Secretary; that the budget provision for that work was not even there. We are now fighting to get those jobs completed. That is why we are pleading with Members that, even before we undertake new projects, we want first to get money to complete all the jobs that were awarded at that particular time. I also want to say to the Member here: Some contractors were given jobs, but they were not given the money. It is on that basis that we have requested the Treasury to fund the Ministry so that it can complete all the jobs that were started at that time.

The Temporary Deputy Speaker (Hon. Cheboi): Order, Chairman! Let us hear from hon. Bosire. What is your point of order?

Hon. Bosire: Hon. Temporary Deputy Speaker, I am seeking clarification as to whether it is in order for the Chairman to implicate the entire Ministry and Government and say that it was blackmailed to give out contracts. Is he saying that the projects that are ongoing currently were improperly given and, if so, what is his view about them?

The Temporary Deputy Speaker (Hon. Cheboi): That would perfectly be in the purview of a clarification rather than a point of order. He was actually proceeding to clarify that particular bit. Most importantly, I think that could have been the policy of Government because that is what hon. Washiali has asked.

Hon. Kamanda: Hon. Temporary Deputy Speaker, I want to respond to the Member and say the following: Proper procedures were adhered to when all those tenders were awarded. But at that particular time of elections, that is where the problem started. That is because everybody wanted to have a road and, somehow, the officers agreed to do the jobs. But I do not want to say that they did not follow the right procedures in awarding those tenders. They followed the procedures in awarding the tenders. But as of now, we want the Ministry to have a policy. I want to say that we have even agreed on the policy of the 20 kilometers as the Members had requested. We have even told the Cabinet Secretary for Treasury to factor in some money. The Ministry of Transport and Infrastructure has been asked by Treasury to send proposals so that the 20 kilometer request by Members of Parliament may be factored in, in the next financial year.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Kamanda, the difficulty which I am having - and I can see some Members are having it also - is when you say you want the Ministry to have a policy. I hope you are not suggesting that there is no policy as we speak. That is something that I want you to clarify so that we do not go--- But let me give this opportunity to hon. Serem. He has a point of order.

Hon. Serem: Thank you, hon. Temporary Deputy Speaker. Is it in order for the Chairman to mislead this House that the Ministry has no policy and yet, we know that the Government cannot procure or tender for a particular project without funds being allocated? We have a road from Mosoriot to Kabiyet and another one from Chepterit to Chepterwai. Those roads have not been completed up to now. It has taken over two years. We might not understand when he is telling us that there is no policy. Is that the position?

The Temporary Deputy Speaker (Hon. Cheboi): Let us have the Chair respond very quickly because we are taking too long on a fairly straightforward issue. The issue I want you to clarify is whether there is a policy---

Hon. Kamanda: Hon. Temporary Deputy Speaker, there is a policy in the Government as far as all the work is concerned. I want to confirm to the hon. Member here that we have done a lot of work as the Departmental Committee on Transport, Public

Works and Housing. We have asked the Government to allocate enough funds to complete all the stalled infrastructural projects in every corner of this country. We have been promised that funds are available for all those projects. Even the contractors wanted to go on strike because of non-payment of their dues. However, we have convinced the Treasury to release the money that is owed to the contractors – the Kshs25 billion. We will clear all the ongoing projects once we get the money.

The Temporary Deputy Speaker (Hon. Cheboi): That is okay now. We do not want to go to the generalities. That was a specific Statement request. Probably other Members should follow suit. I just wanted you to very quickly or just in one word to answer this: Are you aware of the Statement requested by hon. Makau? How far have you gone?

Hon. Kamanda: Hon. Temporary Deputy Speaker, as far as I can recall, maybe, we had an interaction over a cup of tea but I cannot remember a request for a Statement that was sought by hon. Makau.

The Temporary Deputy Speaker (Hon. Cheboi): We will go to the next Statement request by hon. Malulu Injendi. I really do not want us to take a lot of time on that because it is a specific Statement request. So, let the Chair on the Committee on Implementation respond to the request by hon. Injendi. Well, that is hon. Gikaria.

Hon. Gikaria: Thank you, hon. Temporary Deputy Speaker. You have given direction as per the Order Paper about the request by hon. Injendi. However, yesterday when I presented our Report, we had a general statement on the implementation of 29 resolutions. This is the first Statement I want to read out, of course, together with the pyramid schemes Statement.

The Temporary Deputy Speaker (Hon. Cheboi): The issue we are handling now is with regard to pyramid schemes.

Hon. Gikaria: Yes, hon. Temporary Deputy Speaker, but the main one is about the other 29 resolutions which we had and I gave to the House Business Committee yesterday. It is a very short Statement on---

The Temporary Deputy Speaker (Hon. Cheboi): It is okay. Present quickly.

Hon. Gikaria: Thank you, hon. Temporary Deputy Speaker.

As you are already aware, the Committee on Implementation is established under Standing Order No.209 and is mandated to do the following. This is, of course, as indicated under Standing Order No.209.

In the exclusion of the above mandate, the Committee on Implementation has to date scrutinized a total of 29 House resolutions and I wish to make the following observation:-

That while the House resolutions were communicated to the respective Cabinet Secretaries, the Committee has to date received only two implementation status reports from the various Cabinet Secretaries.

We have only received two responses; one from the Ministry of Industrialization and Enterprise Development about the pyramid scheme and I am going to read it out and the second one was a commitment which was given by the Majority Leader with regard to the increase of prostitution within our universities.

As we are trying to undertake some of these resolutions, my Committee has observed the following:-

Some of the House resolutions are difficult to implement because of the way they are worded. I, therefore, wish to take this opportunity to request the Chairmen of various House Committees and the secretariats to ensure that resolutions that come to the Floor of the House for adoption or debate are SMART. Of course, "SMART" means that they should be specific, measurable, achievable, realistic and time-bound. This will make it easy for the Committee to demand action and measure progress of implementation.

Hon. Temporary Deputy Speaker, it is also becoming difficult to trace and follow up on some of the resolutions since Committee reports are not regularly published on the parliamentary website. If you look at Standing Order No.200, you will find that it is very specific. We have to periodically -that is after every six months - publish the resolutions on the parliamentary website.

Equally challenging is the fact that the Committees have not been submitting half or yearly progress reports to the Liaison Committee to facilitate easy capturing of resolutions and quality control.

Again, if you look at Standing Order No.201, you find that it is very clear. It reads:-

"Within sixty days of a resolution of the House or adoption of a report of a select committee, the relevant Cabinet Secretary under whose portfolio the implementation of the resolution falls shall provide a report to the relevant committee of the House in accordance with Article 153(4)(b) of the Constitution."

That Article reads---

The Temporary Deputy Speaker (Hon. Cheboi): I do not want you to take a lot of time on that.

Hon. Gikaria: Thank you, hon. Temporary Deputy Speaker. The last issue that I want to discuss about the Statement is that, in the First Session of this House, the House received 222 requests out of which only 63 Statements were addressed. This means that 159 Statements lapsed with the end of the First Session. It is the Committee's recommendation that the House demands action on a resolution by the select committee leadership, who need to improve on the response rate. We are urging the Chairmen of the various committees to, at least, improve on the response rate from 50 per cent to about 75 per cent, when they are responding to the Statements.

Hon. Temporary Deputy Speaker, in the coming week, my Committee has scheduled meetings with various Cabinet Secretaries with a view of identifying why some of the resolutions are not implemented. We shall soon organize the verification visits as appropriate.

We also want to inform the House that my Committee will, as per our mandate, impose some sanctions on the Cabinet Secretaries because of non-response---

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Gikaria, I gave you just a few minutes but you are now taking a lot of time on this matter. The bit I wanted you to deal with is the issue of the response to the Statement by hon. Injendi.

Hon. Gikaria: Of course, hon. Temporary Deputy Speaker, I agree with you. Again, as directed yesterday by the Speaker, we do not want to have a Parliament that will just be debating in vain. Basically---

The Temporary Deputy Speaker (Hon. Cheboi): The better approach to that, hon. Gikaria, is for you, when there will be a meeting, particularly that of the Liaison

Committee, where the Chairmen are all involved, your own Chair should bring that particular issue as a substantive agenda and it will be transacted properly. What we are doing now--- You can see there is even very little concentration on the part of the Chairs of Committees who are here. So, probably, we might do this in vain. I want us to proceed and deal with the issue of Statements and then we approach those concerns that you have at the point of the Liaison Committee where it will be sufficiently transacted.

IMPLEMENTATION OF REPORT ON PYRAMID SCHEMES

Hon. Gikaria: Hon. Temporary Deputy Speaker, hon. Injendi had requested to know the implementation status of the report on pyramid schemes. He only asked about two issues. Of course, it is a Statement which was brought in the First Session and it was re-introduced in this Session. He sought to know two things; namely, the implementation status of the pyramid schemes report and two, the compensation for victims of the pyramid schemes and prosecution of the directors of the schemes.

My Committee would wish to report that little has been done towards the implementation of the recommendations due to challenges ranging from inadequate personnel---

(Loud consultations)

The Temporary Deputy Speaker (Hon. Cheboi): Order, Members! The consultations are really distracting. I am sure the Chair is quite uncomfortable responding when everybody else is consulting. Let us hear what he has to say.

Hon. Gikaria: Hon. Temporary Deputy Speaker, it is about the implementation status and we are saying that very little has been done other than what the Ministry of Industrialization and Enterprise Development has told us. They have put measures in place to stop pyramid schemes from happening again in future. So, there is lack of legislation on pyramid schemes and a general lack of co-ordination of the implementation agencies, namely, the Attorney-General, the Central Bank, the DPP and the Ministry in charge of Co-operatives. That is the status, but very little has been done on the recommendation by the taskforce which was headed by Nyenze in the Tenth Parliament.

As regards compensations of the victims of the pyramid schemes, this is the response that we got from the Ministry. First of all, based on the evidence adduced, there are indications that recoveries of deposits from the accounts of the pyramid schemes were not carried out due to court orders that discharged the freezing orders, thereby resulting in withdrawal of Kshs11,039,000 contained in the said accounts. Furthermore, investigations have not been exhaustively carried out to enable water tight evidence that would stand in a court of law thereby, making it difficult for any recovery of properties alleged to have been purchased using proceeds from the scheme.

Secondly, where evidence was available, penalties prescribed by the Banking Act, the Penal Code and Micro-Finance Act were lenient and not prohibitive. Thirdly, sentences requiring fines to be paid did not benefit the victims as fines were payable to the State. There is need to come up with a law that deals specifically with pyramid schemes and which would impose heavy penalties on offenders. The Committee

recommends that the Central Bank of Kenya should fast-track the legislation on pyramid schemes in order to provide for stiffer penalties on pyramid-related offences.

Thirdly, the Office of the Attorney-General, the Treasury, the Cabinet Secretary for Industrialization and Enterprise Development may consider working jointly towards the establishment of an information centre where victims would register their claims.

Fourthly, there has been dire consequences for inaction by the Government as it was sued by Ms Akiba Micro-Finance vide Miscellaneous Application No.1594 of 2005. The accused sought orders for prohibition against prosecution and the High Court awarded the accused Kshs2 billion in compensation. Consequently, other matters before the court against the accused were dismissed and the accused person acquitted.

Fifthly, during the consultative meeting between the Committee and the DPP, it was resolved that there will be established a multi-agency team comprising of representation from the following offices, namely, Office of the DPP, the Attorney-General, the police and Central Bank.

The Temporary Deputy Speaker (Hon. Cheboi): Let us have hon. Injendi seeking clarification and probably two other Members. We will take all of them and the Chair will respond to them.

Hon. Injendi: Thank you, hon. Temporary Deputy Speaker. I wish to thank the Chair. It has taken too long but finally, we have the response. However, this is my position. In view of all the happenings--- For example, as the Chair has said in his Statement, there are some fines that were payable to the Government. Therefore, those fines were not benefiting the victims. He has also said that there were investigations that were done, but were not successfully completed to sustain any prosecution.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Injendi, seek your clarification. What clarification are you seeking?

Hon. Injendi: I am coming to it.

The Temporary Deputy Speaker (Hon. Cheboi): Just go straight to it so that we can save time.

Hon. Injendi: Since that is the position of our Government on pyramid schemes, I wish this House could recommend or resolve that the Government sets aside some funds to pay those people, just like it has done to others, for example, the people who have lost animals and land. That is because those people have lost money and the Government, which was supposed to protect them, has failed to do anything.

Hon. Gichigi: Hon. Temporary Deputy Speaker, Sir, I wish to seek a clarification. If I got the Chair right, little relief has come in the way of the victims. Apparently, the Government is stuck with this particular issue. It appears to be unable to deal with the issue. Has the relevant authority contemplated and/or brought any Bills to this House so that the National Assembly is able to legislate on a law that would help to curb that sort of crime in future? Do we have any proposals in terms of legislation that we can enact to deal with these issues and curb this crime in future?

Hon. (Dr.) Pukose: Hon. Temporary Deputy Speaker, I wish to seek clarification to the effect that when this issue of the pyramid schemes came up, money was frozen in the Central Bank. The amounts still remain at the Central Bank up to date. What happened to that money? If the money was frozen by the Central Bank and it is still there, then should the losers of the pyramid schemes not be given back their money?

Hon. Manoti: Hon. Temporary Deputy Speaker, the people who were operating those schemes were registered and known. Why has it become so difficult for the Government to take them to court and ask them to pay the money to the people who were swindled?

The Temporary Deputy Speaker (Hon. Cheboi): Chair, proceed and respond.

Hon. Gikaria: Hon. Temporary Deputy Speaker, as hon. Injendi has just said, it is true. Only one case was prosecuted and a fine of Kshs50,000 was given to the Government. Nothing else has ever been paid. It is true that the proceeds from court fines would not benefit the victims. It is also true again that investigation was done and 11 cases taken to court. All of them were completed without any conviction. In fact, a few of them were even compensation by the same courts.

As regards compensation, the Cabinet Secretary indicated that it is not a viable venture. The Government has no money to compensate the victims. One of the reasons given by the Attorney-General is that most of the victims did not come out because they were afraid that if they went to court, they would be asked to pay for legal services and yet, they did not have the money. The Attorney-General said that under the Banking Fraud Department, their issues would have been taken for free. However, nobody came forth to make claim. That was, again, the dilemma of the Attorney-General despite making efforts to try and tell people to come forward and make claims.

As regards the Bill, as hon. Gichigi has said, a number of Bills have already been enacted. There is a Bill which was enacted in 2009 after these issues came up. The Proceeds of Crime and Anti-Money Laundering Act is in place. The Bill was brought to Parliament in 2008 and became law in 2009. So, something has been done as regards proceeds from money received using crime. On the issue of the frozen money, in the Report, it is indicated that Kshs5 billion had been frozen within the Central Bank of Kenya (CBK). What the CBK Governor told us is that the CBK does not hold depositors' money. That is the responsibility of commercial banks. When we raised the issue with the CBK since they are the watchmen of the commercial banks, it was indicated that nothing was ever frozen other than the Kshs.11 million.

We sought clarification from hon. Nyenze who was the Chairman of the taskforce then, to tell us in which account the Kshs5 billion that had been indicated as having been from pyramid schemes was put. He did not have any specific details. They never had any facts to be able to indicate where. So, as far as the Ministry was concerned, the amount of money that was frozen was not Kshs5 billion as indicated but only Kshs11 million. One of the problems that the commercial banks had is that the victims were third parties. They are not known to the bank. However, the holders of the accounts, who were the directors of the companies, were the ones who were taking the money. They were the only people who were able to transact business on those accounts.

Thank you, hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. Cheboi): That is it. So, we will go to the next Order.

BILL

Second Reading

THE VALUE ADDED TAX (AMENDMENT) BILL

(Hon. Ng'ongo on 12.3.2013)

(Resumption of Debate interrupted on 12.3.2014)

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Ababu Namwamba had three minutes remaining, but I cannot see him in the House. So, I will give the Floor to hon. Kobado of Uriri.

Hon. Kobado: Thank you, hon. Temporary Deputy Speaker, for giving me the opportunity to add my voice to this very important debate.

I want to start by thanking hon. John Mbadia for bringing this important Bill. According to the latest study report released by Ipsos Kenya, one in every four Kenyans or 25 per cent of Kenyans, which comes to about 10 million Kenyans, sleep on empty stomachs every day due to the high cost of living. Kenyans have spoken through that survey. According to Kenyans, in order of priority, the most serious issues affecting them are high cost of living, with inflation at about 50 per cent, unemployment, corruption, insecurity and poor leadership.

Hon. Temporary Deputy Speaker, the Government must take quick steps to keep the cost of living low. Indeed, the situation is progressing from bad to worse. We are in a crisis of confidence. We are moving from crisis to crisis. We are in a situation where the leadership of this nation is basically fire-fighting, depending on quick-fix solutions to deal with problems that are affecting Kenyans.

The sugar-cane sub-sector is on the verge of collapse. The main concerns of stakeholders in this sub-sector include high cost of production, financing cane development and influx of cheap sugar imports into the country. Among the goods and services that we want to request to qualify for zero-rating should be sugarcane transportation. The sugar industry is doing very badly, and the Government is just watching.

Sugar millers in the western Kenya region have huge stock piles of unsold produce in their warehouses. The local market is currently flooded with cheap sugar. The sugar is not really from the COMESA quota. It is damped in Kenya from countries like Somalia, India, Brazil and lately, Pakistan. The importers do not pay taxes on these commodities. The commodities do not even meet the quality standards of Kenya. They do not pay taxes to the Kenya Revenue Authority (KRA). They are not inspected by the Kenya Bureau of Standards (KEBS). Indeed, the commodities are unfit for human consumption.

Sugar is finding its way into the Kenyan market via unscrupulous traders who are working in cahoots with sugar barons. The sugar barons are people in high positions in Government. So, the extension of the COMESA window, which we thought would rescue the sugar industry, is just the first step towards saving the industry. We need to go beyond just providing safeguards through COMESA. There is need to deal with the issue of illegal importation of sugar because it is basically killing the local sugar industry. We cannot remain competitive because the sugar importers are not paying taxes. Our local sugar industry is doing badly in terms of high production costs.

The traders are the same people responsible for poor sugarcane prices, after taking advantage of the Agriculture, Fisheries and Food Authority (AFFA) Act, 2013, which is an Act that has put together several sub-sectors of agriculture without protecting the sugar industry. Collapse of the local sugar industry will result in thousands of workers becoming redundant. The situation is very pathetic. Unless action is taken very fast, we will sooner than later, be seeing very many of our youths back in the streets, having lost their jobs.

The price of sugarcane has dropped from Kshs4,300 to Kshs3,000 per tonne in the last 18 months. It is anticipated that in the next six months, the price will drop even further to Kshs2,500 per tonne. The current sugarcane price per tonne is tagged at an average of Kshs3,000 per tonne. The cost of inputs, comprising of preparation, seed cane and fertilizer, comes to Kshs1,000, plus VAT per tonne.

The cost of labour would work to around Kshs800 per tonne. The cost of transportation comes to about 1,800 plus VAT per tonne. The opportunity cost, which is the cost of waiting for 18 months for sugarcane to mature, comes to about Kshs300 per tonne. These items bring the cost of production to about Kshs3,900 per tonne. Considering the total production costs per tonne against the price at which the farmer is paid, at Kshs3,000 per tonne, it leaves us with a loss of about Kshs900 per tonne. The average a farmer would make to break even is about Kshs3,500. Therefore, I want to plead with this House, that we consider removing VAT from cane transport so that we can zero-rate it.

There is more than meets the eye, if you look at what the Government is doing at the moment. Not much is being done to protect the farmer and in the sugar industry. We are talking about thousands of employment opportunities and income to a majority of Kenyans in the western region. Therefore, I kindly want to plead with this House to consider removing VAT on sugar cane transportation. Ideally, cane price is derived currently from the market price, but the reverse should really be the case. We should be deriving the market price from the cane price input, which is the only way to have our people make anything in terms of pricing.

The Government needs to look into so many things and if you consult the engineers in this House, like hon. (Eng.) Gumbo and hon. (Eng.) Kiragu Chege, they will tell you that if a machine breaks down, you do not rush into looking at the parts you consider might have caused the break down. What you need is to conduct a proper diagnosis, so that you can identify what the real problem is and address it. In this country, the Jubilee Government needs to look at the real cause of the problems that we are facing today. Let us get to the root cause and not just deal with symptoms. We are only treating symptoms, but we are not going to the bottom to look at what actually is afflicting the economy of this country.

With those many remarks, I beg to support this Bill.

The Temporary Deputy Speaker (Hon. Cheboi): Very well, let us have hon. Njenga of Gatundu North Constituency.

Hon. Njenga: Thank you, hon. Temporary Deputy Speaker. I stand to support this amendment to the VAT Act and by so doing, I would like to say that the Mover, hon. Mbadi and I, are Members of the Institute of Certified Public Accountants of Kenya (ICPAK) and we are proud of it. The back trigger effect of these amendments will

improve productivity and production in our country. Looking at the first proposal on fish nets, fish is eaten by all Kenyans and is being produced in a big way. In my county of Kiambu and even in my constituency of Gatundu North, we are still using nets. By avoiding VAT, these fish nets are going to be cheap and once they are cheap, Kenyans are going to afford fish, which is very rich in some minerals like phosphorous, which we need for brain development. This country requires developed and accurate brains. Once the nets become cheap, majority of Kenyans who cannot afford fish today will be able to buy it. In this region, people should not forget about the Migingo Island. You will ask yourself why people fight for the island. It is because of the fish which is there. I hear it has a high population of fish. If we do not make our fish cheap and the neighbouring countries make theirs cheap, how are we going to compete, knowing very well that we are removing economic boundaries in this region; the East African Community? That is why, as a finance man I support these particular amendments that have been brought.

On the issue of mosquito nets; malaria is a major killer in this country and it is all over Kenya. It is not only in Nyanza or Coast, but all over including the mountain region. I would like those who have not visited there often like hon. Mbadi, to know that we have a lot of malaria these days. Although I recognize that the Government does give mosquito nets, not every household gets them. By making them cheaper, we will be subscribing to what we all say, prevention is better than cure, but this time round we will say, prevention is cheaper than curing malaria. I support this particular VAT amendment because I know it will go a long way in bringing up a healthy nation and one that is comfortable.

I am happy that milk and cream are zero-rated. In the first place, milk is very necessary; I do recall that most of us did enjoy the *Nyayo* milk which was being given for free. That is why probably most of us are here and serving this nation. So, by removing VAT on processed milk, we are saying that in future companies such as Fresha, Kenya Cooperative Creameries (KCC), Brookside, Limuru, Molo and all other companies will increase their production capacity. In doing so, they will increase the number of people they will employ in this country and increase the amount of Pay As You Earn (PAYE) that the Government of Kenya will earn. So, this is actually a kick start to an economy that is going to earn more in ordinary revenue out of such amendments. I also do recognize that such companies, once they sell more due to affordability, they are also going to pay more corporate and individual taxes to this county.

Regarding animal feeds, this is why I even feel more motivated. In my constituency, we do zero grazing and poultry farming. The other day you read in the newspapers that at the backyard of the Head of State's home, in Gatundu North, people were demonstrating because of the high cost of animal feeds. I am a great beneficiary, but that is not what impresses me. We know that the population of this country is increasing and human beings increase at a higher rate than resources. So, if we reduce the cost of producing animal feeds, then we produce enough for our people to eat and for export, hence create wealth. When wealth comes to our country, it belongs to all parts. This amendment will go a long way in helping us. It will go into growing this economy by double digit because of the said trigger effect. Insecticides, pesticides and herbicides, all these are constraints that hamper production. Once we make them to be zero rated, we are going to reduce the cost of producing maize, wheat and others. When we do this

again, we will be talking of affordability. I know in other countries they have gone to the minimum guaranteed return but in this country, we have not done so due to budgetary constraints. There are too many ways of doing one thing; we can still get there by zero rating agricultural input, which will increase production once more and productivity.

Hon. Temporary Deputy Speaker, there are other proposals such as the Credit Reference Bureau (CRB). Some banks in this country have died because of giving wrong people loans. Therefore, CRB should make sure that such services are made cheap so that only those who pay, like hon. Members are given loans. Once given mortgage, hon. Members pay over the time they serve in Parliament. If other Kenyans can pay their loans the way we pay our mortgages, cars and meals, I think liquidity in banks will improve and money will be available for all Kenyans.

Hon. Temporary Deputy Speaker, Sir, on the postal services, communication is actually a must. We need to have cheap communication. In fact, we need letters delivered at our doorsteps like in the USA and other developed countries.

The Jubilee Government is on the way to giving free connections to homes so that we attain the 5000 megawatts and add that to the national grid. When we put VAT on connection of 200 kilowatts of electricity, which is for domestic consumption, we burden our people. Removing VAT on it will make electricity affordable in the short-run and make the Jubilee Government's manifesto achievable.

Hon. Temporary Deputy Speaker, we need water drilling services in dry places like where hon. Nkaissery comes from, to be almost free. All taxes should be removed so that cows can stop dying in Kajiado County. The Kenya Rural Roads Authority should provide services. I am proposing that this is required now and not tomorrow.

Thank you, hon. Temporary Deputy Speaker, I support.

Hon. (Dr.) Eseli: Thank you, hon. Temporary Deputy Speaker, for giving me this chance to add my voice to this amendment Bill by hon. Ng'ongo. I think hon. Ng'ongo thought very keenly as to what he wanted to achieve by this Bill. I would say that the VAT Act as it is now is a danger to health care in this country. You can import an ambulance duty free, but if you try to get one locally, you will pay duty. This is very unfortunate.

In the last Parliament, and perhaps that is one of the reasons why I managed to come back to this Parliament, I provided close to four ambulances for various medical centres in my constituency. These were actually Pick-ups converted into ambulances. If you want to get such ambulances now, you have to go to DT Dobie, get that Pickup and pay duty before it goes for conversion. So, the price becomes too high. That also interferes with the local manufacturers' growth. If people want to start manufacturing these ambulances, they should be given a chance to do it. If you want that ambulance to be converted locally, you pay duty on it. What is brought out in the Bill is quite good and will go a long way in alleviating poor health in this country.

Hon. Temporary Deputy Speaker, the other thing that hon. Ng'ongo needs to do - but if he does not I will do it at the Committee stage - is to introduce an amendment to remove VAT from inputs for drug manufacturing. This is because manufacturing medicines in this country has become so expensive because the raw materials are charged VAT. When you import already manufactured medicines, there is no VAT on them, but when you try to manufacture medicines locally, there is VAT on them. Therefore, you

find that the drugs manufactured locally have now become more expensive than the drugs imported, yet the drug industry in Kenya actually serves East and Central Africa. The drug manufacturers in Kenya control 75 per cent of drug market in East and Central Africa.

Hon. Temporary Deputy Speaker, by adding VAT on raw materials, we price our products out of market. Therefore, very soon factories will close down; our children who have studied pharmacy and pharmaceutical technologies and who have gained experience in drug manufacturing are going to lose that chance of being employed. Therefore, in other words, what we are doing with VAT Act, as it stands now, is killing the medicine industry. So, if hon. Ng'ongo will agree with me, he should add an amendment to further remove VAT on raw materials for local manufacturers of drugs so that we do not appear to be promoting foreign industry rather than local industry; especially when the Jubilee Government has vowed to increase jobs. If they are going to increase jobs and the factories start closing down, they will be reducing jobs. They will, therefore, defeat their own manifesto. It is in their interest that hon. Ng'ongo brings this amendment and we support it.

Finally, I would like to say that what hon. Ng'ongo has done is very important. He has looked at the production side. We only look at eating the cake, but we never look at how to bake the cake. But hon. Ng'ongo has looked at how to bake the cake, in the sense that a lot of VAT on the production side needs to be removed to make our goods more competitive and more affordable to our people. It is very important especially on the medical side; with mosquito nets too so that we can improve the usage of mosquito nets. Although I dare say that mosquito nets are not the only way of preventing malaria, in fact, they are the worst way of preventing malaria. Otherwise, they will be all over the country hiding under mosquito nets from 6.00 p.m. to 6.00 a.m., and then no work will go on.

Hon. Temporary Deputy Speaker, I brought a Motion to this Parliament to say that mosquito nets should not be the only means of preventing malaria. We should look at in-house sprays. That is where hon. Ng'ongo comes in on pesticides for in-door spray. That is the best way to prevent malaria. Mosquito nets are just there to promote the industry; that they can produce mosquito nets and sell them en masse, but they do not prevent malaria. That is why mosquito nets have been around for many years, but malaria is still with us.

Hon. Murgor: Thank you, hon. Temporary Deputy Speaker, for allowing me to add my voice to this very important VAT (Amendment) Bill. I stand to support with no reservations.

Hon. Temporary Deputy Speaker, particularly in the animal industry, the scenario is that animal feed is very expensive. This has led to farmers buying low quality feeds. What happens on buying low quality feeds is low productivity. With low productivity, we have food insecurity. On the other side the animal feeds manufacturing industries in this country are strained; they have stocks and, therefore, they will retrench citizens hence unemployment.

On the other side, with the failure of the livestock industry, we shall get products from other countries, like eggs which are already coming in from South Africa. Very soon we shall be seeing even milk coming to this country. That is extremely sad and

shameful. I think this Bill has come at the right time so that we encourage our farmers to produce more.

On the health sector, as hon. Dr. Eseli said, antibiotic medicines manufactured in this country are much more expensive than those imported because of taxation. Similarly, the other drugs manufactured by the local industries will close down and we will lose employment for our youth if taxation is not removed.

Hon. Temporary Deputy Speaker, I think as a country we should not tax ourselves to poverty.

With those few remarks, I support this amendment Bill.

The Temporary Deputy Speaker (Hon. Cheboi): Okay. Let us have hon. "TJ".

Hon. Kajwang': Thank you, hon. Temporary Deputy Speaker for allowing me also to add my voice to the debate on the Value Added Tax (Amendment) Bill. I think hon. Mbadi is one of those legislators who have come of age to know that other than cry about mandarins in Treasury, the duty of enacting laws and changing them is vested in the National Assembly and we have the authority to do something about it. I think he has impressively done it by bringing this Bill before us for discussion. I am also impressed by the general tenor of participation from the Members of the Assembly because we seem therefore to know what *wananchi* want and we speak to the subject that is very dear to their hearts.

I think that the spirit that I see coming from both sides of the House should help us facilitate Mbadi's Bill so that we not only pass it the way it is but also with the various amendments that Members are proposing in it so that we return *wananchi* to where they belong.

Hon. Temporary Deputy Speaker, I represent some of the lowest income groups in this country and like my friend and colleague, Madam Shebesh will tell you, in Nairobi we represent *Mama Mboga, Mama Orange* and some of those people who would not survive---

The Temporary Deputy Speaker (Hon. Cheboi): What was the second one?

Hon. Kajwang': Hon. Temporary Deputy Speaker, we have a lingo in Nairobi of *Orange*.

The Temporary Deputy Speaker (Hon. Kajwang'): Is that parliamentary hon. "TJ"?

Hon. Kajwang': It is a term that describes some of the things that you do not eat in the rural areas but we eat them here. This is because hooves of cows in the rural areas are thought to be issues of witchcraft but here we use them as food. So, coming from that background, I want to support this Bill unequivocally because it speaks to the shopping basket that an ordinary woman walks with from a kiosk when she comes home.

Many of us have given different examples. I want to add one thing that nobody has spoken about, which is vegetable seed. You see the Fifth Schedule exempts vegetables but it does not exempt vegetable seeds. In my research, I have found out to your delight that vegetable seeds like those of carrots, *sukuma wiki*, cabbages, capsicum and various forms of vegetables must be imported. Why? This is because they are called daylight sensitive crops. In the tropics, they cannot be grown locally. The improved seeds even of tomato cannot be availed locally because here in the tropics we only have 24 hours. They need countries with 16 or so daylight hours to be able to get these seeds.

So, hon. Temporary Deputy Speaker, when therefore you have VAT imposed on vegetable seeds, you are directly threatening importation of seeds. You are reducing agricultural production. You are reducing income of farmers who rely on vegetables and even consumers in the value chain. You are directly threatening food security in this country. In fact, you are actually a threat to subsidy programmes that this Government has promised Kenyans.

Hon. Temporary Deputy Speaker, in Uganda, Ethiopia, Rwanda and even our neighbour here Tanzania, they do not impose VAT taxes on vegetable seeds. So, what happens? People are now going to Uganda to import vegetable seeds across Busia and bringing back *karafu*. That is another language to describe what we thought had gone down in Busia but now *karafu* in vegetable seeds is coming back in Busia. This is a terrible indictment, in my view, of the Jubilee Government although I heard the Member for Gatundu praising the Jubilee Government by saying that they are going to do this and that. However, how do you promise *wananchi* that you are going to do this when vegetable seeds that are the heart of the food basket in Rift Valley and that is the core of Central Kenya, Western Kenya and Eastern Kenya are so expensive? You are placing taxes on them and increasing the cost by more than 40 per cent. How are people going to grow these things?

So, what has happened? You go to Mwea, for example, and you will find that farmers are now not growing tomatoes. Well, they are not taking the improved variety of tomatoes. They are saying they are going to grow what is there and what is there are discussions that the local breed that we have is in fact related to such ailments like cancer and so forth. So, we have to get these things done.

Hon. Temporary Deputy Speaker, the solution of raising revenue is not on imposing tax on basic commodities, it is on widening the tax bracket. Come to Nairobi, for example, and think of so many businesses that happen here like the *mitumba* one and the kiosks that we have, if only the Kenya Revenue Authority (KRA) would find a way of bringing these people to the tax bracket, it would be good. It is not difficult because these people have Personal Identification Numbers (PIN). If they do not have PIN, they have telephone numbers. Even *Mama Mboga* has a mobile phone. If KRA would share data of PIN and telephone numbers, they can bring literally everybody who is trading in Nairobi under the tax bracket and we will have more money than by placing taxes on basic commodities.

So, hon. Temporary Deputy Speaker, I want to persuade Mbadi, and I think this now does not need persuasion because I see the mood of the House is sufficiently clear that we want to go this direction, that when it comes to the Committee Stage that we look at the Fifth Schedule and include vegetable seeds in the amendments that we are seeking and some others that Members have proposed.

I wanted to urge the Jubilee Government, with a lot of humility, that there was once this person who sat on a tree and he was sitting pretty on the branch of the tree. However, the fellow was busy cutting the branch on which he sat and he cut and before he knew it, the branch plus the saw with which he was cutting went down with him. Other people call him an unwise person; other people call him a foolish person. The Jubilee Government should know that they are sitting on that branch and they may go down with it.

Hon. Temporary Deputy Speaker, however, if that is not enough there is also this saying which they should know: “The occupant of State House right now is really a tenant and if he fails to pay rent the way he is doing, the landlords of this country will chase him out of that House.”

Thank you, hon. Temporary Deputy Speaker. I ask all of us because we are affected in one way or the other to be united on this and adopt a non-partisan approach and support this Bill unequivocally.

The Temporary Deputy Speaker (Hon. Cheboi): Very well. Hon. Wandayi and hon. Limo will indulge a little. We want to give the other gender some time and I will give it to hon. Murugi. However, before I give her the chance, is hon. Keter on a point of order?

Hon. E. Keter: Thank you, hon. Temporary Deputy Speaker. In fact, the Member has just sat down. However, is he in order to imply that the Jubilee Government is foolish by referring to it as somebody sitting on the side of the tree?

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Keter, obviously I am sure you are saying you are seated right on top of the tree.

Hon. E. Keter: Yes, hon. Temporary Deputy Speaker.

(Laughter)

Not really because I heard that sentence and that is its implication.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Washiali, what is it? I can see you are putting up the Kenya African National Union (KANU) finger.

Hon. Washiali: Hon. Temporary Deputy Speaker, I had sought this point of order when the Speaker was still on the Floor. I wanted to rise under Standing Order No.91; the responsibility for statement of fact. The responsibility of VAT is under Parliament. The hon. J.B did--I do not think it has anything to do with the Executive. Is he in order to refer to the President as sitting on the branch which he is cutting when he knows that the responsibility of making law, which includes the VAT Bill is the responsibility of Parliament?

The Temporary Deputy Speaker (Hon. Cheboi): So that we can put this thing properly, I will have to get something from the Deputy Leader of Majority Party, but I just wanted you to be very clear. When you say, J.B., that is the apex of this House. So I am sure you are referring to T.J. This is to avoid confusion!

(Laughter)

Let me get something from the Deputy Leader of the Minority then I will ask my good friend, Hon. T.J. to---

Hon. Midiwo: Hon. Temporary Deputy Speaker, just so you know I am in many acting capacities; I am also the Acting Party Leader of the ODM.

(Laughter)

Now that my leader is busy discharging very important issues that concern the world where very few individuals---

The Temporary Deputy Speaker (Hon. Cheboi): Now you have really created a lot of excitement which was not there, hon. Midiwo.

Hon. Midiwo: Hon Temporary Deputy Speaker, I also happen to be the Acting Leader of Minority Party since the Leader of Minority Party is away and that is in writing to the Speaker.

(Loud consultations)

The Temporary Deputy Speaker (Hon. Cheboi): There are lots of points of order due to what you are saying although you are on a point of order yourself.

Hon. Midiwo: Hon. Temporary Deputy Speaker, I am on a point of order; they do not know. Some of these people need induction but I do not want you to waste taxpayers' money one year down the line. Somebody like hon. Ngong'o has been here and this is his second term.

What I wanted to raise arising from what I hear, I want to plead with my colleagues from the Jubilee side to be patient. I know hon. Eric Keter, I saw him yesterday in his Committee, the Departmental Committee which is in shambles. He is jittery when you talk about Maranda; he thinks you are criticizing the Government. He needs to relax! Now hon. Washiali is saying something very interesting; that it is only this House that makes laws.

The Temporary Deputy Speaker (Hon. Cheboi): Hon. Midiwo, you are taking the position of hon. T.J. You are responding to the points of order by your colleagues when you have risen on a point of order. I would have been happier with you---

Hon. Midiwo: Hon. Temporary Deputy Speaker, I am correcting something which the House needs to be alive to; that it is factual; it is in public domain; it is in the HANSARD that the originators of the original VAT Bill that hon. Ng'ongo is being so kind enough to try to correct--- The mess hon. Ng'ongo is correcting came from the Executive. The Bill came from the Executive. It was never done by a Member of this House. That Bill which hon. Ng'ongo is trying to help correct, the country is in a mess because of the Jubilee Government. We are taxing everything: Milk, bread and everything. It is important to let them know.

The Temporary Deputy Speaker (Hon. Cheboi): You are exploiting what hon. Njenga earlier on stated, that this fish has some phosphorus which really puts a lot of weight on the brain. I think you are creating those issues very quietly trying to respond to what you are not supposed to respond to. So, you have made your point and that should be it. If we have to sort out this matter, it is for me to now ask hon. Kajwang' to remove that bit, which to me is a bit pertinent, the issue of foolishness. If you can remove that bit, then everything else is settled. You had made two references; one of foolishness and one of being unwise. The second one is better!

Hon. Kajwang': Hon. Temporary Deputy Speaker, I do not want to poison a very good debate. This debate has been very healthy and we have had a bipartisan approach. I think hon. Members from your left and you are right are decided on how they want to push this Bill. So, I want to talk very kindly and very politely. I referred to a person who

is sitting on a tree and is busy cutting the branch on which he sits. But you see, this person considered himself very wise and I think he was wise. He was wise until he fell with the branch. I want to withdraw unequivocally.

(Laughter)

The Temporary Deputy Speaker (Hon. Cheboi): That is now settled; I am sure hon. Eric Keter and hon. Washiali are comfortable now.

Hon. Kajwang’: Hon. Temporary Deputy Speaker, I want to withdraw unequivocally the fact that I referred to anybody as unwise. I know that, that person was very wise until he fell with the branch.

The Temporary Deputy Speaker (Hon. Cheboi): Now you have put us back to the same place but let us have hon. (Ms.) Mathenge.

Hon. (Ms.) Mathenge: Hon. Temporary Deputy Speaker, I want to first of all, thank hon. Ng’ongo for bringing this amendment to the House. I want to agree with him that when the VAT Bill was being done, it was supposed to manage the VAT. It was actually not supposed to tax items which had been zero-rated. As we speak and keep on saying, we want to advocate for women and the youth to be entrepreneurs, yet whatever was done in the VAT Bill was self defeating. This is because we all know that women and the youth normally go to do businesses that relate to either keeping cows, chicken and so on. So when you put VAT on the products from animals, then it is self defeating. So, I want to say that all animals’ feed should be exempted from the VAT. Again, if you observe the issue of animal feeds, these have been on the increase for the last 15 years yet a kilogramme of chicken bought from the farmer has remained at Kshs120 for the last 20 years. The youth, therefore, cannot in any way make sense of even keeping the chicken.

When hon. Ng’ongo, on Item 20, was talking about sanitary, I hope he was talking about sanitary pads because if it is just the sanitary ware in the house, then I would be very worried because taxing sanitary pads is punitive. The person who did the VAT Bill was being punitive to the women and the girls of this country. He did not give us a formula of how we should not do what nature intended us to do. So, I hope “sanitary” means sanitary pads. I would also want and urge hon. Ng’ongo to go a step further and include sanitary pads as part of the school books that are given in primary schools free of charge.

(Applause)

Otherwise, if you do not do that, then we should be given a formula so that we stop doing---

(Hon. Ng’ongo stood up in his place)

The Temporary Deputy Speaker (Hon. Cheboi): We are discussing the VAT Bill and so the issue of it being given out for free cannot come in here. But let us hear hon. Ng’ongo, he has a point of order.

Hon. Ng'ongo: On a point of order, hon. Temporary Deputy Speaker. With due respect to my colleague and friend, hon. (Ms.) Mathenge, the sanitary that I am mentioning here – I want to make it very clear here – is not sanitary pads. Actually, as far as I am concerned, sanitary pads are already exempt from VAT. But in the event that they are not - I will double check - there is nothing that stops us from introducing the exemption at the Committee of the whole House stage.

But I want to make it very clear so that it does not appear like I am misleading the House. The sanitary and pest control services that are provided to households are totally different from the provision of sanitary pads.

The Temporary Deputy Chairman (Hon. Cheboi): Okay. Proceed hon. (Ms.) Mathenge.

Hon. (Ms.) Mathenge: Hon. Temporary Deputy Speaker, I believe I read the VAT Bill - and I think you need to re-check - and sanitary pads are actually taxed. So, you need to remove VAT on them. What we asked the Treasury then is to give us a formula on how we should not do what nature expects us to do, so that we are not taxed. It is actually very punitive. So for me, I want to support you. I even want to say that other things like supply of electricity to households, supply of water, drilling services and supply of power by Rural Electrification Authority should be exempted from duty. All those are things that give incentives to the youth to be entrepreneurs. So, the minute you tax them, you are saying that those youths should not be entrepreneurs. That is because you are taxing that which will help them to be entrepreneurs. I do not think I need to elaborate more. I just need to say I support this amendment. I hope that everybody, even from this side of the House, will support this amendment.

The Temporary Deputy Chairman (Hon. Cheboi): Let me have hon. Wamunyinyi. You have just removed your card. Put it at the intervention mode. Yes. That is okay now.

Hon. Wamunyinyi: Thank you very much hon. Temporary Deputy Speaker, for giving me this chance to make a brief contribution on this important Bill that has been brought by hon. Ng'ongo. I want to congratulate hon. Ng'ongo for the initiative because this one touches on the lives of all Kenyans. I want to go straight to the issue that affects me hon. Temporary Deputy Speaker, and which I would request hon. Ng'ongo, as I support this Bill, to consider bringing an amendment. I would request that VAT is removed on transport charges that are levied on cane farmers. That is because cane farmers, like maize farmers and others, suffer so much from deductions that are made from their dues. There is 1 per cent cess that is charged to the cane farmer, 16 per cent VAT on transport, a levy that is charged by Mumias Outgrowers Company (MOCO) and Nzoia Outgrowers Company (NOCO) in Mumias and Nzoia and other farmers' organizations.

*(The Temporary Deputy Speaker
(Hon. Cheboi) left the Chair)*

*(The Temporary Deputy Speaker
(Hon. (Ms) Mbalu) took the Chair)*

Even the interest that is charged on fertilizer that is supplied to farmers, Madam Temporary Deputy Speaker--- I did not notice when you took over. I was almost calling you hon. Temporary Deputy Speaker, Sir. The interest that is charged to farmers on fertilizer supplied by their organizations make the burden too heavy for our farmers. While that is happening, you are levying too much; charging so much to the farmers and then, you are licensing the importation of cheap duty free sugar into the country. As we speak, apart from those charges, farmers are not being paid. The farmers in both Mumias and Nzoia - and I am sure even those in Nyanza who are growing cane - are not being paid. Recently, there was some intervention from the Kenya Sugar Board where Kshs500 million was given to Mumias and about Kshs300million to Nzoia to help pay the farmers. That has not solved the problems because up to as late as last year, around September/October, farmers whose cane had been harvested had not been paid. While we support this initiative and we would like this Bill to be passed, the Government must be sensitive to the issues affecting the people of Kenya. I want to support this Bill also because it touches on essential items that people cannot do without. It touches on food items. If we charge VAT on food items, you are not helping the people of Kenya. These are issues which the Government must be alive to. They were brought in the previous law that was brought by the Executive. That is what hon. Midiwo was saying. This amendment is being made on the law that was passed here. That law was brought by the Executive. That is why we are saying that the Executive needs to be alive to the needs of the people. I would like to say that, if hon. Ng'ongo will not bring an amendment to remove VAT that is charged on cane transport, I will be proposing the amendment myself. People in our areas are suffering. I wonder whether it is a strategy to continue to impoverish them and kill the industry, so that we can remain poor. Is it a strategy by some quarter or a section of this country or what is it? We are thinking and wondering why we continue to punish farmers in our areas. We want to work together as leaders in this country and make sure that we deal with the issues that affect our people in the country.

With those few remarks I would like to say that I support the Bill that has been brought by hon. Ng'ongo. I will ask him to sponsor this amendment. Thank you very much hon. Temporary Deputy Speaker for giving me this chance.

The Temporary Deputy Speaker (Hon. (Ms) Mbalu): Thank you. Let us have hon. Limo, Member for Kipkelion.

Hon. Limo: Thank you, Temporary Deputy Speaker, for giving me this chance to speak to this very important Bill. I want to start by saying that VAT is a very important element in the revenue of this country and, therefore, there should be a lot of concerted effort in terms of balancing the collection as well as taking care of the welfare of Kenyans. From the outset, we know that the 2013 VAT Bill was really brought in with a lot of intent but, at the end of the day, it has brought a lot of suffering to some people, especially the farmers. We know that farming in this country is a very important activity and, as part of the strategy to empower the people, the Government has really tried its level best to provide incentives and empowerment funding. But unless we consider the negatives in VAT which have really impacted on some inputs in farming, the benefits will not be seen. I want to say that the proposal in this Bill by hon. Ng'ongo to remove duty on things like fishing nets, animal and poultry feeds is timely. We know they are

very expensive and most of the farmers, especially in my constituency, stopped concentrating on poultry farming because poultry feeds are very expensive. I want to say that if you look at vegetable farming, I agree that things like seeds, herbicides and pesticides are very expensive. VAT makes it very costly for small scale farmers to concentrate on farming.

Hon. Temporary Deputy Speaker, I come from a county which is really known for growing a lot of green tea in this country. If you look at the Value Added Tax Act now, you will find that it actually taxes unprocessed green leaf from the farmers. Effectively, it says that all the farmers in this country who are growing tea were even expected to have registered for VAT and even acquire the ETR machines. This is something which is impractical because many farmers will even resort to uprooting tea to avoid making VAT returns. So, this Bill is timely because it will remove the requirement that unprocessed green leaf which is delivered to the factory be taxable.

We have heard proposals by the hon. Members from the sugar belt about the transportation of sugarcane from the farms. Likewise, transportation of tea is taxable but when you are exporting tea because the bulk of our tea is being exported, it is not taxed. Therefore, it does not make sense to tax transport from the farms.

Hon. Temporary Deputy Speaker, there is something else which has been proposed which I really like. I know that in this country quite a number of times, when it is dry, we lack fresh produce from the farmers because of lack of enough water to do irrigation.

We have many boreholes in my constituency which are not operating now because electricity is very expensive. Other than exempting water drilling from paying tax, I want to say that there is a problem in our electricity management. It is high time the Government audited the bodies which manage electricity in this country. We do not understand why Kenya Power behaves as if it is not a Government body. We have heard conflicting statements from the Government. Whereas the Government says that connection fees is Kshs35,000, Kenya Power has a different charge sheet because they are not charging Kshs35,000 to connect electricity. They talk about very many charges. So, whereas we are looking at the VAT charges on electricity connection, we should also urge the Government to come out boldly and tell us who is in charge of electricity connection in this country. This is because there is confusion everywhere and yet Government policy is clear. The Kenya Power has a problem. We need to investigate the people managing Kenya Power because there is something sinister which they are doing. They are making this country very expensive. Many factories are considering re-locating while the Government is trying to bring in more investors.

Hon. Temporary Deputy Speaker, I want to say one other thing which has really disturbed our youth and young business people in our rural areas. We should also look at the county taxes which are being levied currently. People are suffering in silence.

Over the weekend, I managed to speak to many youths who are aspiring to use the Uwezo Fund to invest in many investment opportunities but they are worried about the costs. They were telling me that there is a lot of taxation taking place within my constituency at a place called "Chepsion". The youth are worried that when they cross the border from one constituency to another, they are being taxed by the county government. We want to say that there is need for harmonization. This is because once you have been

taxed in one location there is no need of being taxed in another location. A classic example is that of motorcycle operators where most of the youth are investing in.

We are also worried that currently, the taxes which are levied on motorcycles and the spares are not friendly to the youth. To cap it all, the county governments tax these youth highly. If a youth is carrying a passenger and charges Kshs100 and he is charged almost Kshs70 then there is no money for buying fuel. I urge both the national Government and the county government to be sensitive.

Hon. Temporary Deputy Speaker, I would like to say that whereas we are looking at the areas which are making our people suffer because of the VAT, we also have to be very sincere. The reason why the VAT 2013 (Amendment) Bill came here was because of the unscrupulous or fraudulent business people who were exploiting the long list of exempted and zero-rated items to make fraudulent claims. I urge this House that whereas we support the amendment by hon. Mbadi, we also have to look at ways of protecting our revenue and raise more revenue and not kill it.

We should look at ways of ensuring that unscrupulous businessmen who operate in this country do not take advantage of the loopholes which are created in the VAT Bill. Therefore, I want to urge Members to support the amendments which will make the cost of living for our people bearable. We should also consider other services which are not basic items. We should not exempt such items. This is because before the 2013 Bill was brought to this House, the items which were exempted and zero-rated in this country were over 600.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you. Your time is up. Let us have hon. Wandayi, the Member for Ugunja.

Hon. Wandayi: Thank you, hon. Temporary Deputy Speaker. I want to support this amendment Bill by my friend, hon. Mbadi. It is the work of any government to ensure that life is bearable for its citizens. The Chair is, of course, aware that the Jubilee Government has not done well in this front. However, if I go straight to the matter, taxation cannot just be an end in itself. Taxation is supposed to serve a purpose. If we continue to levy taxes and charge VAT on essential commodities that every common person in this country uses every single day, we are not only torturing the common person but also stifling production.

I am delighted that some of the items that the proposer of this amendment Bill has included in this category that should be tax exempt are farm inputs. We are aware that for any country to develop, the productive sectors of the economy, such as agriculture, manufacturing and the likes must be encouraged or supported to perform optimally. The fact that items such as pesticides, fungicides, herbicides and so on and so forth have been included in this amendment Bill is very positive. It is going to go a long way in making it possible for farmers to produce cost effectively.

As we do this, it is important also to point out that a Government worth its salt needs to have policies in place that should guide its actions. A Government should not be acting at the spur of the moment. For instance, on the matter of supporting agriculture, this Government has not done well at all. Indeed, many developed countries and some developing, have gone to an extent of religiously subsidizing agriculture. That is why you find it common every now and then that our farm produce cannot compete effectively with the produce from other countries. That is why you find that most of the times,

imports, invariably are cheaper than our local produce. For instance, the issue of subsidized fertilizer, which is not involved, there is no policy whatsoever that this Government has come up with. In fact, there is even no budgetary allocation for this very vital item. This matter has been left to the whims of the Executive that when the President wakes up when he is in good mood, he can decide to direct the Ministry of Agriculture, Livestock and Fisheries to allocate some money to import fertilizer at subsidized rates and give it to farmers.

We cannot develop as a country in this manner. There is no policy or budgetary allocation and yet you want Kenyans to believe that the Jubilee Government is providing subsidized fertilizer. How much of it has been budgeted for? For how long is it going to be in place and who is charged with the responsibility of managing it? These are valid questions. As I speak, the issue of subsidized fertilizer is shrouded in great mystery. Indeed, even the so called National Cereals and Produce Board has no mandate to get involved in the importation of fertilizer to be supplied to the farmers. These are issues that need to be addressed legally and administratively.

I am happy that there is a Bill which is coming, which I want to pre-empt, by my very good friend, hon. Chris Wamalwa, that perhaps if passed will address this issue and put to rest the question of people thinking that they can run the business of developing the country like they do in their homes. It is not possible that we can subject the taxpayers to expenditures worth billions of shillings in the name of subsidized fertilizer and there is no framework at all. There is no framework whatsoever that governs this very essential undertaking. That is certainly a recipe for corruption. You know that corruption has become a password for this Jubilee Government. If we are going to allow the Government to continuously engage in corruption in the name of subsidizing agriculture, then we are going to shoot ourselves in the foot as a House. Therefore, I want to support this Bill very strongly as a way of making life bearable to the majority of Kenyans who live below the poverty line.

One other issue that needs to be stressed; even as we address the issue of taxation and the cost of living of the ordinary Kenyan it must be pointed out that the matter of service delivery is very critical. You are aware that land remains an essential factor of production. Indeed, it is pointless to provide subsidized fertilizer and to zero-rate or tax-exempt farm inputs when the question of land is not being addressed adequately. Currently, we have an artificial paralysis in the land sector. Every Kenyan knows that there is an artificial paralysis in the land sector, which has been orchestrated by people who are hell bent to retain the status quo. One of the reasons why the Constitution was brought into being was to address historical imbalances and injustices and land is part and parcel of the issues that have made this country be where it is currently.

What is happening currently is that you find an artificial tug of war between the Cabinet Secretary for Lands and the National Land Commission. It is not a question of personal differences between the Cabinet Secretary for Lands and the Chairperson of the National Land Commission, it is basically a deliberate attempt by negative forces to emasculate a constitutional Commission, so that they can get avenues to continue perpetuating graft and corruption in the way public affairs are managed. This is an issue that this House will have to address, one way or the other and sooner rather than later. As I speak, operations in nearly all land registries in this country have ground to a halt.

Indeed, this kind of paralysis cannot be accepted. It cannot be allowed to continue if they are going to continuously let Kenyans believe that as a country, we are concerned about their welfare. If we cannot put the matters in the land sector in the right perspective, if we cannot address the issues that underlie the paralysis in land sector, we are allowing our Government to continue losing money which it would have collected through revenue that comes through land transactions.

We do this and at the same time, we start lamenting that there is a problem of the wage bill. So, it is a question of the Government not getting its acts together. This Government needs to be compelled to do what is right for the citizens. One such step is this Amendment Bill as proposed by hon. Mbadi. So, I want to urge my colleagues that this Amendment Bill is very noble. It is very useful and we need to support it in its entirety.

I must end by emphasizing one point, that it is important at every given moment for the Government to understand that there is no way that we are going to develop this economy if the cost of living for the common person continues to skyrocket. It is not going to be possible.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you. Your message has been passed. Hon. Michael Onyura, Member for Butula.

Hon. Onyura: Thank you very much, hon. Temporary Deputy Speaker for giving me a chance also to say something about this Bill.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): There is an intervention from hon. Letimalo. Anything out of order?

Hon. Letimalo: Hon. Temporary Deputy Speaker, there is nothing out of order, but looking at the Order Paper today, the order of business is heavy. I wonder whether it will be possible that you reduce the time taken by each Member, given the fact that today is a day for Private Members' Motions, so that, at least, we can attempt to discuss many of the Motions that have been listed. You can see that they are in Second Reading. So, I just want to request the Chair whether it is possible to reduce the time to enable the Members who are willing to contribute.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): You are proposing to reduce the time to how many minutes?

Hon. Letimalo: Five minutes.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Let the House decide. Five minutes for each Member. Members, it is you to make the decision. I will, therefore, put the Question.

(Question, that speaking time be reduced to five minutes, put and agreed to)

Hon. Member, carry on, but yours are ten minutes.

Hon. Onyura: Thank you, hon. Temporary Deputy Speaker. I thought so. It is only fair that it be that way.

Hon. Temporary Deputy Speaker, I rise to support this Bill. I support it because it is addressing a very important problem of the ordinary *mwananchi* – that is the cost of living for the ordinary Kenyan. We have to be very careful when we legislate because in

the process we may overlook certain things but when it comes to implementing them, we realise that they have very serious implications to the cost of living for the ordinary Kenyan.

Talking of the cost of living, there are people within our population who live at approximately one US Dollar a day. That is how the talk has been. However, looking at what is happening now, the amount is going down. We have gotten to a stage where we have people who are living at less than half a Dollar a day. We will soon be talking about cents a day. This cannot be allowed to continue. That is why interventions like the one before us today is important. It will assist in bringing down the cost of living for the ordinary person.

The Government must continuously come up with proactive programmes that can assist the ordinary person in terms of wealth creation. One of the initiatives is assisting with wealth creation through agriculture. We have to do everything we can to support and encourage agriculture, particularly at a time like now, when the rains are just starting. This is the time to support our farmers. We should be able to provide them with fertilizers and certified seeds. In fact, instead of waiting until we experience famine or food shortage and then we start spending so much money importing food, we should deploy that money now to support farming activities and any other productive activities.

I want to support what my brother, hon. Opiyo, has just said, about the structure of such support, like fertilizers and seeds. I have also noticed that there is no clear structure. In fact, the activity is fairly uncoordinated to some extent. It is not very clear how one can get seeds or fertilizers. It is not clearly known who is dealing with such issues. Such things should be very clearly laid out, so that anybody looking for this kind of support can get it easily.

At the moment, if you try to go through this, you are taken through all manner of maze of bureaucracy. You are sent to various offices to get some approvals and letters. This kind of bureaucracy only discourages the farmers. They go round and round until they give up. That way, we lose very useful opportunities that can assist us in producing sufficient food. So, it is very important that we have very clear guidelines and policies regarding this kind of support.

On other areas of production that have been mentioned, like the tragedy of the sugar industry, in my constituency, we have a number of farmers who have been engaged in sugarcane production. What I am observing is that before long, a lot of them will be discouraged completely from growing any sugarcane. The factories that are supposed to be assisting and encouraging the farmers to produce sugarcane have neglected them. What is now happening is that after the farmers do all the work that they are supposed to do and wait for a long time for the cane to mature, once the sugarcane is taken to the factories, farmers end up getting what is commonly known as “DRs” in my constituency. In other words, they get negatives. This is very discouraging.

There was a time when the Government, in an initiative to encourage production and wealth creation, came up with a number of the so-called economic stimulus projects. Many of those projects have stalled. They need to be supported, so that they can be completed rather than having several of them being white elephants or monuments that do not help anybody.

With those comments, I support the Bill.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Yes, hon. Helen Chepkwony.

Hon. (Ms.) Chepkwony: Thank you, hon. Temporary Deputy Speaker, for giving me the opportunity. I stand to support the Motion.

The amendment proposed is going to be very beneficial to Kenyans. First of all, I want to talk about the fishing nets. The fishing nets are really helping *wananchi* because nowadays many Kenyans eat fish. Red meat is not good for our health. So, by reducing or removing VAT on fishing nets, it will benefit our fish farmers. Secondly, I want to appreciate the proposal to remove VAT on mosquito nets. Where I come from, Kericho; we used to have fatal cases of malaria. However, since the introduction of mosquito nets the problem has reduced. We used to have malaria epidemics during the months of June and July but that is now a thing of the past. The number of patients suffering from malaria has reduced significantly because of sleeping under mosquito nets.

We are saying that we should also have pesticides but know the side effects of DDT, which was used a long time ago. If DDT is re-introduced in place of mosquito nets, we will have a lot of problems with that pesticide. Therefore, the proposal to remove VAT on mosquito nets will greatly benefit our people. Again, removal of VAT from animal feeds is beneficial to the farmers. In our area in the 1970s and 1980s, we had two big factories to which we supplied milk; these were Sotik KCC and Premiere at Kabianga Junction. We used to supply a lot of milk to those factories but when the cost of feeds went high, everybody left rearing of animals, especially cows. These days nobody is rearing them, because the cost of feeds is very high. So, removing VAT from animal feeds will really encourage the farmers to have more animals and produce more milk. These days, milk is imported into our country, not because we cannot rear animals but because animal feeds are very expensive.

If VAT is removed, we shall have many farmers breeding more animals. You know at present, there are no jobs for our youths, but we have to create jobs in the rural areas by encouraging the youth to keep animals because VAT on animal feed prices will come down. We shall find that our youths will have their own jobs in the rural areas. Even the keeping of poultry, many mothers kept poultry, but these days they have left it because of expensive feeds. By passing this Bill on the removal of VAT on animal feeds, we shall appreciate it very much and I hope farmers will also appreciate it.

The other thing is about the creation of jobs. We would like to create more jobs for our youths by removing VAT from most of the items; they use, for example, in carpentry and masonry. We would like many of our youths to join that sector, especially those who have left Form Four. If VAT is removed from this sector, our youths will go to those fields and specialize in making some items.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you; well spoken. Let us have the Leader of Majority Party.

Hon. A.B. Duale: Thank you, hon. Temporary Deputy Speaker, I was talking to the Mover of the Bill, my good friend hon. John Mbadi, and I am suggesting to the House that, at least, today we should complete debate on this Bill, so that next Wednesday, it can come for the Committee of the Whole House stage and then we move on.

I oppose amendments to this Bill, but because hon. John Mbadi is a good friend of mine, we have agreed to look into them and into the issues that are fundamental clause by

clause. I am saying this because, it is very clear, and I want to go on record; this is not a Bill of the Jubilee Government. It is only the date that was changed. This was a Bill that was done by the famous coalition government in which even hon. Mbadi served; he was in the Cabinet and it went through there; so, he took part in the preparation of the VAT 2012.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Order! Hon. Leader of Majority Party, there is a point of order from hon. Mbadi, Member for Suba.

Hon. A.B. Duale: No! No! Hon. Mbadi, why do you not allow me to finish?

Hon. Ng'ongo: On a point of order, hon. Temporary Deputy Speaker. Hon. Duale is misleading the House; actually this Bill passed through the Cabinet before I joined it in September; it was already there. I remember, we discussed this Bill when I was an able Member of the Budget and Appropriations Committee. So, the Bill was produced way before I joined the Cabinet.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you. Yes, Leader of Majority Party.

Hon. A.B. Duale: Sorry, Temporary Deputy Speaker. Today, I have to look for the exact date when hon. Mbadi joined the Cabinet, because I remember he was a good guy, and sat with me at the Back Bench. Then one day the former Prime Minister realized that he was a very serious soldier in his coalition.

I want to make very serious clarifications on the VAT 2013, which came into effect on 2nd September, 2013; it had some very good fundamental issues for the VAT regime in our country. In terms of efficiency, it created a very efficient and transparent VAT system in our country that reduced the backlog and made sure that taxpayers paid up; it was very friendly to the business community.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Leader of Majority Party, there is a point of order or information from hon. Clement Wambugu.

Hon. A.B. Duale: If it is information, I do not want it.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): What is your point of order, hon. Clement?

Hon. Wambugu: On a point of order, hon. Temporary Deputy Speaker. This is to alert the House that when the Leader of Majority Party was contributing, he started by stating what he had discussed with the Mover, that we need to complete this Bill by the end of this session.

That one is very dangerous because we have got very many issues to raise on this Bill. I would propose that we discuss it to completion. This is because we have got some very sensitive issues, especially within the aviation industry. Most of our operators are moving to the neighbouring countries because they cannot operate due to the VAT effects on the aircraft spare parts. Most of the people have started their maintenance facilities outside this country, leading to almost the collapse of the aviation industry. I would like us to be given enough time so that we can raise these issues.

Thank you, hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you, hon. Member. Yes, hon. Leader of Majority Party.

Hon. A.B. Duale: Hon. Temporary Deputy Speaker, I have not refused. I am only speaking as a Member of the House Business Committee, which gives priority to

business. A time will come when this Bill will not be discussed at the Second Reading Stage until cows come home. Last week, we agreed in the House Business Committee, but I do not want to give a premature statement, that if we still have time today, we can finish it. Hon. Wambugu, that burning issue on the air transport will be handled at the Committee Stage. It will not serve you in the Second Reading.

There are so many points of order; I want you to allow me to give my contribution for only five minutes.

The genesis of hon. Mbadi's VAT Bill is VAT Bill 2013, which we passed in September. There is a lot of notion out there that poor Kenyans are overtaxed. I want to make it very clear that in the VAT Bill, which was passed, the following items were exempted from it; I want to read them out:-

(i) all unprocessed food items, including vegetables and tubers, maize, beans, milk, eggs and meat, which are consumed by majority of our people with low income and who live in both rural and urban areas.

(ii) processed food including maize, wheat flour, bread, rice, infant food preparations, infant milk, medicine and pharmaceutical products, sanitary towels, fertilizers, selected seeds, agricultural plants, machinery among others.

For us to discuss this amendment Bill by hon. Mbadi, we first need to get the original VAT 2013, which was passed, so that we can know exactly--- I know *Mhe*. Mbadi has brought issues on things which have been taxed. But Members, talk about hon. Mbadi bringing back the VAT Act, while some Members might bring back issues on beans, milk, eggs and meat which have already been exempted. So, please have a serious dialogue with hon. Mbadi, get the principal Act and look at it. Those items are already exempted; it is very clear. The VAT 2013 removed tax from all unprocessed and processed foods, and essential items consumed by most of the low-income group.

Hon. Temporary Deputy Speaker, the Government noted with great concern the Press reports in general. I am sure my colleagues will agree with me that the moment we passed the VAT Bill, 2013, unscrupulous businessmen decided to put VAT on items which were not supposed to be VAT-rated. You saw Kenyan businessmen being taken to court. The media was very good to us and they showed it. Therefore, there are people who want to misuse even the laws we passed here.

Hon. Temporary Deputy Speaker, the Government has also warned traders who adjusted their prices without reasonable cause.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. A. B. Duale, can we hear a point of intervention from hon. Onyango, Member of Parliament for Kabondo Kasipul?

Hon. A.B. Duale: If it is my good friend, the smallest man, I would like to hear from him.

Hon. Onyango: Hon. Temporary Deputy Speaker, while I would not like to interrupt my senior; of course, him and me were in Moi Forces Academy and he was a year ahead of me. I would like, if he could expound much more on the difference between zero-rating and exemption; because we have to go to the root---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Are you informing the Leader of Majority Party or it is a point of order?

Hon. Onyango: I am just concerned that the explanation of the Leader of Majority Party narrows to exemption, while we know that you can exempt a product, but going down to the raw materials, if that is not properly done through zero-rating, then the same is effected and passed over to the consumers. He should come clean because this is what I think hon. Ng'ongo is trying to address through this Bill.

Hon. A.B. Duale: Hon. Temporary Deputy Speaker, on the technical terms, I have said it on the Floor of the House many times. It is the business of hon. Members to read Bills; on what is zero-rated and what is exempted. This is because if you do not know the difference between those two, then in the first place, you cannot even get the discussion. Therefore, people should know what is zero-rated and what is exempted.

Hon. Temporary Deputy Speaker, I was his senior and we were in the same university. Therefore, he is one of my disciples. In fact, we were in the same alumnae and I have a lot of respect for him. I am coming to that.

Hon. Temporary Deputy Speaker, items like wheat flour, maize flour, bread and medicine were exempted from tax. Some people were saying we should impose VAT, but I am sure now, that is water under the bridge. What is the essence of taxation? We know the gap between the poor and the rich. There are many rich people and companies that evade taxation, including VAT. As a House, we must agree. As much as we want to cushion the poor, we must deal with those who go and ask for Kshs.1 VAT refund.

Hon. Temporary Deputy Speaker, we must invest in rural development, agricultural productivity and food security as a country. Once we expand the food supply, the prices will reduce for the common man. In this regard, this Government has invested substantial resources both at the county, Constituencies Development Fund (CDF) and at the national level. During the last Budget, Kshs8 billion was allocated for irrigation, Kshs2 billion for agro-business and Kshs7.5 billion for water harvesting. All these will reduce prices.

Hon. Temporary Deputy Speaker, people are talking about wage bill. Everybody in this country wants wages to be reduced as long as the price of *unga* will also reduce from Kshs120.00 to Kshs60.00. If we reduce the price of one packet of *unga* as a country, from Kshs120.00 to Kshs60.00, I am telling you even hon. Members of Parliament will want their salaries reduced. If you reduce the cost of transport, health care and irrigation, nobody will refuse pay cuts. But here in our country the scenario is the opposite. Prices are going up and salaries are going up. What will be the end result? It will be inflation.

I am sure the Departmental Committee on Finance, Planning and Trade, led by my able Chair, who has again brought a serious controversy in our country - I approached him in the last two nights and he told me he wants to propose amendments for more than ten items in the Constitution. That means, every day we will be at a referendum and therefore, there will be many referendums. I want him to forget, or at least, give a break to those referendums and the wars he has with women hon. Members of Parliament.

I want him to look at this Bill, have dialogue with hon. Ng'ongo and all of us and we agree on what we can amend next Wednesday, if we reach there.

With those few remarks, I support.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you. From my records, during the last sitting, on Wednesday, we had hon. ---

Hon. Waweru: On a point of order, hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Denis Waweru, the Leader of Majority Party has already finished his contribution. If something is out of order, then let us hear you.

Hon. Waweru: Hon. Temporary Deputy Speaker, now that we are in the Second Reading and we all have different issues; some are agreeing with hon. Ng'ongo while others are opposing and we also have our own amendments we want to forward to him; considering that it is not a very big Bill, I would urge the Mover to be called upon to reply.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Waweru, before we make such decisions, by the end of the sitting last Wednesday, we had hon. Ababu Namwamba, who had a balance of three minutes. I think it is just fair, if we can give him his three minutes.

Hon. Ababu: Thank you, hon. Temporary Deputy Speaker. I want to thank you. But really, it was eight not three minutes.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Namwamba, it was three minutes from the record.

Hon. Wambugu: On a point of order, hon. Temporary Deputy Speaker. I rose on a point of order because it is the same issue I had raised earlier, about the importance of this Bill. If we get to the Third Reading, like they are requesting, most of the hon. Members here have been waiting to contribute to this Bill, which is very important to the lives of Kenyans and the whole country's industries, especially construction and aviation. I would oppose any request by any hon. Member that the Mover be called upon to reply. We still have issues with this Bill. I will propose that we continue to the end; even if we are going to request for more time in the afternoon, I think that would be better.

Thank you, hon. Temporary Deputy Speaker.

Hon. Ababu: I want to thank you for the indulgence. There is absolutely nowhere in the rules that preclude me from exhausting my balance of minutes. As at the time I was interrupted, I was saying that---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Ababu Namwamba, let us have a point of order from hon. Yusuf Chanzu, Vihiga.

Hon. Chanzu: Hon. Temporary Deputy Speaker, there are two issues here. One, Dennis Waweru has just come now, yet we have been sitting here from 9.00 a.m. Secondly, if the hon. Member who was on the Floor at the rise of the House is not there when he is called, he forfeits his time. You do not spare time for hon. Members; you will not be able to operate the business of the House that way.

An hon. Member: It is provided in the Standing Orders.

Hon. Chanzu: On which Standing Order are you standing?

An hon. Member: On which Standing Order are you raising your point?

Hon. Chanzu: But this is a tradition that has been here! Hon. Temporary Deputy Speaker, we have been here for a long time and that has been the tradition here. Somebody cannot just walk in and---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Order, hon. Chanzu! Order, hon. Members! I am informed that the Member for Dagoretti was on a point of order. Then on this matter, I have information that hon. Namwamba was called earlier,

but he was not in the Chamber. Therefore, he forfeits the chance. As a matter of procedure, you may not be given the chance.

Hon. Ababu: Hon. Temporary Deputy Speaker, the issue I am raising is, whereas it is a practice that a Member cannot forfeit the time they have, there is absolutely nothing in the rules that can preclude me from exhausting that time, especially when at the time I was required to be here I was transacting other business of this House.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you. Let us hear what the Leader of Majority Party has to say on the same.

Hon. Ababu: He is not an authority on this matter.

Hon. A.B. Duale: I am an authority. I have the microphone. Hon. Temporary Deputy Speaker, as a Member for Garissa Town, who served in the last Parliament and who speaks English, and can read the Standing Orders, it has never happened until as late as yesterday, when we were dealing with the Budget and Appropriations Committee Report, that the Speaker raised it. When a Motion goes to the next sitting, the person who was speaking last is given the first chance to contribute. I remember hon. Mary Emaase had a balance of eight minutes. This is not a political rally or a political party's caucus. This is a House of rules. If hon. Ababu knew he had three minutes, he should have been here---

The Temporary Deputy Speaker (Hon. (Ms) Mbalu): You are not on record.

Let me make a ruling. Hon. Ababu Namwamba, your name was mentioned and, as a matter of procedure, actually you are supposed to have been the first one to speak when we opened the House. So, for this---

Hon. Ababu: On a point of order, hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Speak on a point of order but not contribution. What is out of order, hon. Namwamba?

Hon. Ababu: I am on a point of order because this is a matter that touches on the procedure of the House. Actually, in the absence of a specific Standing Order on this matter, I agree that I would be the last one person to want to break the rules and traditions of this House; the traditions of this House would require that--- You note from Standing Order No.1 that on a matter that is not specific in the Standing Orders then the Speaker is granted a *carte blanche* – a kind of a blank cheque to make a ruling to guide the House. So, in the absence of a specific ruling--- I know it has been presumed that if you are the last person to speak and you have a balance of time, then you are given priority, but that is a practice that is not anchored in the specific letter and spirit of the Standing Orders. Would I, therefore, be in order to invite---

Hon. A.B. Duale: On a point of order, hon. Temporary Deputy Speaker.

Hon. Ababu: The Leader of Majority Party has this tendency of becoming too excited. Do not be too excitable. Do not be excitable if you do not have the backing of the Standing Orders. Either the Leader of Majority Party speaks from the Standing Orders, or he is just being a heckler as is his tendency. Do not be a heckler in the House.

Hon. Members: On a point of order, hon. Temporary Deputy Speaker.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Thank you, hon. Namwamba. Hon. Members, I will not allow those points of order, because I have to make a decision. Hon. Members, as a matter of procedure, hon. Namwamba had three minutes left. His name was mentioned as the first one actually. As a matter of procedure,

you were supposed to be the first one to speak. Your name was mentioned, but you were not in the House. Let me make a ruling that as a matter of procedure and precedent, we may not be able to allow hon. Namwamba to speak for the minutes that were left at the last sitting.

Yes, hon. Lelelit of Samburu West.

Hon. Lati: Thank you, hon. Temporary Deputy Speaker. I am glad that I just came in and you mentioned my name; I want to say that it is very hard to oppose a Bill that is sponsored by the great John Mbadi. Hon. Mbadi is one of the most prolific Members of this House; I think I live in the comfort that I have not read this Bill that much, but I know that Mbadi is very nationalistic and he looks at our country in general and, therefore, I am sure that this Bill is good. I want to commend him for being one of the most prolific Members of this House.

I also want to tell my friend, Ababu that three minutes would not have done him anything. I know he will be the next Secretary-General of the Orange Democratic Movement (ODM), and the entire Samburu delegation will vote for him; I think that is enough. I know some of us hold you in very high regard. I do not want three minutes to make you lose the kind of respect that we have for you in this House, because you are a high ranking Member of this House. I am sure you will take the post of Secretary-General of ODM. The Samburus in ODM tell me that.

However, hon. Temporary Deputy Speaker, the new VAT Act of 2013 is, indeed, a progressive Act and offers a simpler VAT compliance system. This will ensure easier running of businesses in our country. Earlier, I heard somebody talking about the fertiliser subsidies and farming subsidies being a bad thing. However, I want to say that farming subsidies are something that has been practised the world over, particularly in times when countries are undergoing bad economic times. If you look at the history of the United States of America (US), from the great depression of 1930s to date farmers still receive subsidies. That has provided the US with a very good platform and comparative advantage over other countries when it comes to farm inputs. So, it is very sad to hear some of our Members, who come from agricultural communities, trying to demonise subsidies that are provided to farmers.

(Loud consultations)

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Order, hon. Members! We need to hear the contribution from the hon. Member. Let us consult in low tones.

Hon. Lati: Hon. Temporary Deputy Speaker, I am just saying that it is very sad to hear some of our Members today trying to demonise subsidies on fertilisers that were provided by the Jubilee Government. Farm subsidies, as I said, have been provided for so many years. If you look at the US since the time of the great depression, particularly in bad economic times, they have saved the US farmers; they still do so today. So, I want to commend the Jubilee Government for providing fertiliser subsidies because they help our people. It is good that we have those things in place.

Hon. Temporary Deputy Speaker, as I said, I support this Bill because I know it will help lower the cost of specific items. However, there are issues which we must look at when we think of VAT. If we were in the 1990s when Treasury was setting interest

rates and prices, it would be very easy to transfer a tax incentive to customers. However, in a liberalised economy that we have today where the Treasury does not control prices, it is very hard to see whether the benefits advocated by my good friend, hon. Mbadi, can be transferred to consumers; that is where we want the benefits to be.

Hon. Temporary Deputy Speaker, I said Mbadi is one of the very nationalistic people in this House, I was surprised to see that the first item he proposed to reduce tax on is fishing nets. I know his people need to fish. However, in places like Samburu we have no fishing nets. So, next time he will, probably, hide his emotions in representation of his people. However, I think it is very good that we help the people in Homa Bay and in parts that practise fishing because maybe someday we will have fish in Samburu. However, there are some things that are very good in this proposal.

Hon. Temporary Deputy Speaker, if you look at the mosquito nets, some of our people in far-flung areas of our country are still in big trouble with mosquitoes at night and many of our people die of malaria. If I was the one with the power here, I would say that things like mosquito nets should be provided for free by the Government as a way to help our people. But I think this is a very good step by hon. Ng'ongo to try and zero-rate mosquito nets.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Your time is up! Hon. Waweru requested the Mover to reply and it is up to this House to decide. May I put the Question?

Hon. Members: Yes!

(Question, that the Mover be now called upon to reply, put and negatived)

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): We will now have hon. Onyango!

An hon. Member: How come? I was ahead of him!

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): We are following the list of requests. He was on a point of order. A point of order is not a contribution; let us be advised.

Hon. Onyango: Hon. Temporary Deputy Speaker, thank you, for protecting me. Allow me to contribute to this important amendment to the VAT Act that this Parliament passed. This Parliament has a responsibility, of course, to make, amend and repeal laws. This is one of the best laws, I agree, that was passed by this House. However, immediately after we had a serious outcry and this led to the amendments that have been brought by my friend and model, hon. Ng'ongo, to address some of the issues that Kenyans were crying about. Indeed, we never heard people saying that they did not want the entire Act; they wanted certain provisions sorted out.

On the issue of fishing nets I, being a Member who comes from the Lake region, know that fish farmers have been accused of using substandard nets. We are going to have an opportunity for them to buy the standard ones and increase productivity in the form of fish. I would not even like to discuss about mosquito nets because we know malaria is a killer disease in this country. So, by not exempting duty from mosquito nets, we are also contributing to the death of many people from malaria. I support this and

consider that households that are yet to access electricity should be at an advantage when this amendment carries the day.

Water services to arid and semi arid areas is a very important commodity for our society. We know that water is life and not only in semi arid areas. This should be extended to most parts of the country. It would be very important, though not included here, to note that even farm implements could have been part of these amendments. These could have come during the Committee Stage because we realize that we have to deal with the matter of food security in this country. If we make farm implements affordable, then we are going to encourage farmers to be more productive and secure our country. We would rather suffer from lack of employment and everything but food should be available and our families should be able to afford three square meals per day.

I support this amendment but I would also like to see a situation where pharmaceutical products are also taken care of. I also note that equipment to technical institutions that will allow access to education by the youth, so that they can also have innovative skills so as to acquire employment is also important. I would add, finally, that I support this Bill and we are on the right direction. Eventually when the Question is put, it will carry the day.

(Several hon. Members stood up in their places)

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Members, you must appreciate that some hon. members were here in the morning; they walked out and we are following the request list.

Hon. Iringo: Hon. Temporary Deputy Speaker, it has taken me the whole morning to get this opportunity and I thank you for that.

First and foremost, let me express sympathy to some of my constituents; a young man called Musete was killed last night by gangsters. He has been an artist who has been entertaining us in social forums. On Sunday, we had a nice day with him when the Deputy President was at Maua Stadium. He really entertained us and we were overjoyed. It is so sad that early this morning I was told that he was shot dead by gangsters and his body is lying at Maua Hospital. I send my condolences to the family and the constituency of Igembe Central.

Having said that, I support this Bill because it is for the *mwananchi*. I also have some reservations because when hon. Ng'ongo was bringing these amendments, he did not propose any remedies for what was already factored in the Act. But I strongly believe that whatever he came up with is quite welcome as far as the common *mwananchi* is concerned. If we do not zero-rate or remove VAT from most of our products, our country will suffer because of counterfeit goods and other imports, however inferior they are, will find market in our country. When they come here, they start competing with our local goods and in the process we find that whatever we manufacture here cannot be sold yet they are the goods people would like to use.

Let me talk about sugar. It beats reason how sugar from across the seas sells for less than the sugar from Mumias or any other factory within our country. We have to relook at how we tax our goods, so that we can compete. This is the time when we want to go for integration with the European Union, the East African Community and the other

regions which are coming up. We should not stick to our tariffs, which are meant to fleece the common *mwananchi*. How can we tax our goods and expect to compete with the other goods in our region? We will not make ends meet.

Hon. Temporary Deputy Speaker, I support the issue of the mosquito and fishing nets. We have the Fisheries Department which has started so many fish ponds in this country. I believe that as Kenyans who want to live healthy lives, we should be going for fish. I think it is high time we reduced taxes on nets, especially noting that people who fish have low incomes; they are very poor people. Giving them a chance to earn a living will benefit them.

I would also like to request hon. Ng'ongo to look at physiotherapy equipment. We have medicine and other appliances which have been zero-rated but physiotherapy equipment, which is very useful for people after accidents or other ailment, is very expensive. I am a victim; I was shot and to get somebody to walk after bullets have been fired into your body is very expensive. I believe that this can also help us.

Electricity and fuel have become a problem in this country. Even if we zero-rate or do not tax anything, with escalating fuel prices and electricity charges, and the monopolistic---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Your time is up!

Hon. Dido: Hon. Temporary Deputy Speaker, thank you for giving me this opportunity. I want to say that I support this Bill and I want to congratulate hon. Ng'ongo for this Bill. As a Member representing Saku, this Bill is the heart of why we are in this Parliament; it addresses the main issues of the day, the basic things which our people are grappling with to survive.

Hon. Temporary Deputy Speaker, one of the things we keep on talking about is the gap between the rich and the poor. On the other had is the crime of theft. As long as we do not address the basic issues that affect the common man, we will keep on asking why the rich are getting richer and the poor are getting poorer. In the process we will get most of our youth engaging in activities that are undesirable.

The VAT Act, 2013 is said to have created more complexity and inefficiency. On one hand it is said to be unproductive. At the Committee Stage of this Bill, we must go further from the amendment and look at how the VAT Act, 2013 can be made simpler, so that the Government is able to collect revenue; we must look at how exemption and zero-rating can be effected in a more simple and efficient manner.

We want to have more money in the pockets of our people through this Bill. However, we also have to be careful that we do not take money from the Government only to hand it over to businessmen. This is because even if you say that an item is zero-rated, if businessmen do not reduce the price of goods, the intended purpose will not be achieved.

I also want to say that through this Bill, this country can achieve Vision 2030 and the Millennium Development Goals, because issues that affect the common man will be addressed. Why am I saying this? We have been able to connect electricity to many homesteads through the Rural Electrification Authority (REA). Surprisingly, recently electricity connection jumped from Kshs35,000 to almost Kshs185,000. That has put most of our people outside the bracket that is able to connect electricity to their homesteads. I think we are going to better that situation through this Bill.

As somebody from water-scarce area, I think supply of water through drilling has been one of the means that we have continued to use, but this means must be affordable, so that as many citizens as possible are able to secure clean water.

Hon. Temporary Deputy Speaker, one thing which I wish to request hon. Mbadi to look into is the use of paraffin and cooking gas. If we do not want to deplete our forests due to dependency on wood fuel, then paraffin and cooking gas should be considered within this context.

Finally, I want to support this Bill and say that corruption has been a big headache in this country. If we must support this Bill, let money not be---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Your time is up.

Yes, hon. Yusuf Chanzu, the Member for Vihiga.

Hon. Chanzu: Thank you, hon. Temporary Deputy Speaker. I think this amendment Bill is very important not only for what its memorandum of objects and reasons say--- It is not only the farming sector that is going to be helped. When prices are affordable and people are able to purchase goods, we talk about economies of scale. Items that Members have said they will include during the Committee Stage will help reduce the cost of living for the ordinary *mwananchi*. Today, we were saying in the morning that the people who are being paid Kshs2,000, Kshs3,000 or Kshs5,000 per month, and those who are paid Kshs1 million all end up in the same supermarket. Flour has the same price for them. You can imagine the difficulties the low earners go through. I am sure that this Bill will stimulate economic growth in the country, because many people will afford commodities. Those who sell will realize more sales.

There is something that we want to emphasize. The Government talks about free primary and secondary education, but learning materials are very expensive. Someone should consider text books and printing materials for zero-rating, so that they are affordable. We are thinking about agriculture and you have heard the issue of sugar-cane transport and so on. It is very unfortunate that in a country like ours, we can produce sugar but we cannot afford it. You have seen what has happened to coffee. If you go to the areas where we produce sugar-cane, you will find that, that is where we have people who are really impoverished. This is because of tax mechanism that the Government has put in place. I think it is for the experts in the Government to advise. This is because I am sure that when the VAT Bill came to this House last year – the one that we keep on referring to as Government Bill – it was rushed. It was brought here immediately after elections when we had already made promises to the people. I think all the parties that had participated in the election--- Every time we promise that we will reduce prices after the elections. I think it was rushed and not enough consideration was given to it, particularly when we were dealing with items that are now tabled through this Bill.

Hon. Temporary Deputy Speaker, we have a paper factory in Webuye which we spent a lot of money to put up as a Government. But because of how expensive it is now to get it back, because of taxation on the machinery for that kind of factory, we are not able to revive it. We are importing paper at exorbitant prices when it would have been cheaper to manufacture it.

I am saying that this Bill is very important. Hon. John Mbadi must have thought well. However, I was imagining that the time he was contemplating bringing it here, he must have had some fear that Members would not support it overwhelmingly. That is

why he did not exhaust what should be contained in it. I think we need to have enough time, just as the Leader of Majority Party said. I hope he did not say that with the intention of wanting to oppose the Bill. We should think about it in more details and include all the items, so that we do not have to do it again in the near future. We should include items which our people will afford. If you go to supermarkets like Uchumi or Nakumatt---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Your time is up.

Hon. Member for Kwanza, hon. Wanyonyi.

Hon. F.K. Wanyonyi: Thank you, hon. Temporary Deputy Speaker. I think I will move from this position, so that I can catch the Speaker's eye. I have been here for quite some time.

My contribution to this Bill is that I support it wholeheartedly. First, as you all know, Kenyans are a highly taxed people in the world. The Government, in its wisdom, increased the VAT. I want to thank hon. Mbadi for having come up with these amendments, which I support.

Out there, the rural electrification programme, as most Members have said, will help the youth to be self-employed and empower them. Recently, we passed a Bill on the Uwezo Fund to empower the youth to do some work out there. It is going to help our youths to create employment out there. Secondly, we are going to empower them.

Thirdly, I just want to echo what a Member has mentioned, that the problem that the Pan Paper factory at Webuye has today is because of an electricity bill. I want to take this opportunity to ask the Government to probably waive that huge bill that has left the factory's operations grounded.

The other thing that I want to mention here is the fact that before introduction of high taxation, this country was having a lot of tourists. We got a lot of foreign exchange through tourism, but because of high taxation, I am told that tourists are going elsewhere. They fear that they will pay a lot of taxes here on small things like drinks. This Bill is going to help us to, at least, re-attract tourists who have been going elsewhere. Some dishonest businessmen have been using this confusion to levy VAT on some items that are either exempted or zero-rated. I want to suggest that given that the Bill is going to be very clear, those found claiming VAT refunds fraudulently should be punished heavily. I say this because most businessmen collude with Government officials to rip off the Government by making false claims of VAT.

The other thing is that I am wondering what has happened to the Jubilee Government. We all know that in the previous Government, hon. Kibaki raised a lot of taxes without hurting so much the ordinary people. But the Jubilee Government is panicking and raising taxes all over the place. That is why we are having this problem. We know they want to fulfill some of the pledges they made and that is why they are taxing anything and everything that comes their way. If you look at the former President Kibaki's Government, we did not have these kinds of problems. I am told that there is no money now because there are too many things to pay for. This Government is looking for money from everything and everywhere. Because of the so many taxes that this country is faced with, we find that foreigners are finding it better to invest in neighbouring countries, for example, Rwanda. Rwanda is attracting many foreigners because they realized that there are many taxes in Kenya. I am also told that Uganda and Tanzania are

doing the same. So, Kenya, which was the best destination for investors, is now suffering because of too many taxes. People who want to come and invest here look at our tax regime. When they find that there are too many taxes, they look for a place where there are no taxes. We are going to support this Bill because it will reduce some of the tax burdens, and investors who want to come to this country will do so because taxes will be fewer.

Hon. G.W. Omondi: Thank you, hon. Temporary Deputy Speaker. From the outset, I want to say that the original tax law was passed with a lot of emotions and ignored several taxation principles. One of the driving factors at the time of passing the original VAT Bill was the projected Kshs10 billion revenue that was expected to come from it. The other one was that it originated from the Executive.

So, from that point of view the majority in this House fell over each other to support the Bill. I would say that we failed, as a House and representatives of the people. We did not take into account what hon. Mbadi is now bringing; he has taken into account what is expected of a good tax regime, namely clarity, simplicity, ease of administration and fairness. We did not take these things into account. We did not even look at the inefficiencies that the VAT Bill that was passed in this House was introducing into the economy. Since people are making noise, we are trying to correct that. I would want to support this Bill because now we are, at least, listening to what the local population is saying out there.

I am scared that if we do not reason well in this House, and consider the effect that our decisions have on the people, we are going to have the county governments doing their own things out there. If revenue collection becomes the driving factor for tax policy, you can imagine, as hon. Limo said, what is going to happen in the counties. They are going to tax everything and this is not going to be fair to the people. It is important that when we come to this House, we avoid doing a double job; something that should have been done earlier if we maintained cool minds and consulted--- I want to support the amendments that have been brought by hon. Mbadi because they now address the original failures that took place in this House. I support this because we are now listening to what the people out there are saying.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Yes, hon. Patrick Wangamati.

Hon. Wangamati: Thank you, hon. Temporary Deputy Speaker, for giving me this opportunity. I rise to support the amendment Bill and thank hon. Mbadi for bringing it at this time.

The Government must raise money in order to run this country but they should also look into ways of doing so without hurting the ordinary members of the public. There has been a lot of outcry. People are really having it hard, particularly at this time when everybody is complaining about the poverty that has invaded this country due to carelessness in the management of this country's expenditure. As Kenyans, we pay tax in many ways but due to mismanagement of our own expenditure, money is being spent very badly. We then look for excuses for levying VAT on every item, including bread and milk.

Hon. Temporary Deputy Speaker, I support this amendment Bill, which many people have talked about. I would like to once again congratulate hon. Mbadi for bringing

it at this particular time. I would like to urge the Executive to control financial expenditure in this country. The level of public expenditure is too high. Corruption has also increased. People in Government do not mind about how badly finances are being mismanaged. They only think about raising taxes. Heavy taxation will make it difficult for investors to come to this country.

With those few remarks, I beg to support.

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Yes, hon. Member for Samburu East.

Hon. Letimalo: Thank you very much, hon. Temporary Deputy Speaker, for giving me the opportunity to contribute to this amendment Bill. I want to say from the outset that I support it.

It is important to appreciate the fact that the Government has to raise revenue through taxation in order for it to be able to meet the cost of developing projects. I just want to remind my colleague that the standard gauge railway is a major national project but the Government of Kenya is not able to raise revenue to meet the costs of that particular project. That is why we had to get support from outside the country to be able to undertake the project.

Once that project is complete, it will certainly have a positive impact in Kenya and more so on the communities living along the railway line. The railway will reduce the cost of transport to the extent that even poor members of society will be able to transport their goods and services to the market.

Hon. Temporary Deputy Speaker, they are not able to do it now because of the high cost of transportation. Therefore, it is important. It is equally important that the LAPSET project, once undertaken and completed, will connect Kenya, Ethiopia and South Sudan; countries we trade with and it will also affect the lives of people along that particular area positively.

Therefore, that notwithstanding, even though the Government requires revenue so as not to depend on foreign aid, it is equally important that we look at the areas we feel that through taxation, our people are not going to be affected. I want to thank hon. Ng'ongo for the areas that he has zeroed in. One area is on drilling services.

Hon. Temporary Deputy Speaker, for those of you who come from Arid and Semi-Arid Lands (ASAL), one of the characteristic of ASAL areas is scarcity of water. Water is actually life and particularly for the pastoralists who depend on livestock for their livelihood. They survive on borehole water, but one cannot get people to sink boreholes in these areas, in fact, we get people from Meru, Nakuru and even Nairobi. Given that the cost of sinking boreholes is prohibitive, we are forced to sink very few boreholes yet the population is high. Therefore, certainly, with the removal of VAT, boreholes and water points will increase.

For those areas that are far away from the national grid, the Kenya Power Company should install solar systems through the Rural Electrification Authority. This is actually going to be helpful to the people.

Just as we were discussing yesterday, the Budget and Appropriations Committee Report, every constituency will be given money so as to build youth polytechnics to take care of our youth who probably may not be able to transit to higher institutions of learning. These people are going to acquire vocational skills. We need to ask ourselves

how they will engage in activities that will not benefit them if the cost of electricity is prohibitive. But if electricity can be exempted from VAT, then certainly they will be able to---

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Your time is up, hon. Letimalo.

Hon. Macharia: Thank you, hon. Temporary Deputy Speaker. I rise to support the amendments by hon. Ng'ongo. I propose that during the Third Reading I will move further amendments to the amendment that will include text books, journals and printed materials mainly for academic and education purposes. The reason why I would like to propose these amendments is because we know that, for us to speak the good English that we are speaking today and for us to be able to read the Bills that we are reading today and propose them, we had to go to school. Books have been exempted and, therefore, they have been affordable. We are facing a crisis in the books industry where I am aware that the prices of books and educational materials will go up and basically a nation without education is not a nation. Therefore, as I support, I will move on and put in the amendments formally.

Thank you.

ADJOURNMENT

The Temporary Deputy Speaker (Hon. (Ms.) Mbalu): Hon. Members, the time being 12.30 p.m., this House stands adjourned until this afternoon at 2.30 p.m.

The House rose at 12.30 p.m.